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BUDGET SUMMARY

'Enterprise' aid for small businesses

ENTERPRISE PACKAGE including relief of capital gains tax, development land tax and small business concessions to cost £363m in full year.

ENTERPRISE ZONES to be set up in areas of economic decay. About six of up to 500 acres. Cost of tax exemptions, allowances and simpler procedures up to £35m.

SMALL BUSINESSES receive concessions worth £160m in full year. Small companies' corporation tax cut from 42 to 40 per cent, with profits limit up from £60,000 to £70,000. Higher limit, above which full 52 per cent rate applies, up from £100,000 to £130,000.

VENTURE CAPITAL scheme will allow investment losses in unquoted trading companies to be offset against income from April 5. Costs of business loan finance to be allowable for tax; relief also for pre-trading expenses.

VAT REGISTRATION: Threshold up from £10,000 to £13,500 from today. Tax deduction scheme for construction industry to be simplified and eased.

DEMERGING to be encouraged by measures to ease tax charge on asset distributions concerned with genuine splitting off of businesses.

CAPITAL GAINS TAX: Exemptions increased to first £3,000 of individual's gains from April 6, rest taxed at 30 per cent. First £1,500 of trust's gains to be exempt instead of £500.

UNIT AND INVESTMENT TRUSTS exempt from corporation tax on chargeable gains (present charge 10 per cent).

CAPITAL TRANSFER TAX: Threshold doubled to £50,000. Unchanged rates above that, starting at 30 per cent on death and 15 per cent on lifetime transfers. Exemption for handing on small businesses and farms doubled to £100,000. 40,000 estates removed from tax.

DEVELOPMENT LAND TAX: Developer may apply for earlier tax assessment. No change in 60 per cent rate or £50,000 exemption figure. Local authorities may not acquire land net of DLT after August 5.

STOCK RELIEF: Large part of recovery charge due when company stocks fall to be deferred for year. New relief, to offset liquidity pressures, effective after 1979-80 accounts.

CORPORATION TAX STRUCTURE: To be re-examined; Green Paper later this year. No change in main 52 per cent rate.

TRADED OPTIONS: To be treated on same basis as share warrants instead of wasting assets for capital gains purposes.

Social security is the largest single expenditure programme. It now accounts for about a quarter of total public expenditure and the cost, up by nearly £5bn between 1974-75 and 1979-80, is still rising.

Moves on strike pay

SUPPLEMENTARY BENEFIT: Amount for strikers' families will assume striker receives £12 a week in strike pay or other means. In assessing need the full tax refund to someone on strike will be taken into account instead of £4 a week as at present.

Unemployment benefit to be taxed from April 1, 1982. Benefits to strikers' families to be taxed from then. Scheme for employers to pay minimum level of sick pay to operate from same date.

Government considering how to bring remaining short-term benefits and invalidity benefit into income tax, at next uprating these will be increased by 5 per cent less than increase in prices.

Short term benefits to be on flat rate basis, with earnings related supplement withdrawn in 1982.

Child benefit up in November from £4 to £4.75 a week for each child, which will add £400m to public spending in full year.

Retirement pension up next November by £6.15 to £43.45 for couple and by £3.85 to £27.15 for single person, fully reflecting Government estimated rise in prices. A £10 Christmas bonus will be paid. Supplementary benefit up next November in line with projected price rises.

Additional payment to one-parent families up from £2.50 to £3 a week. Mobility allowance for disabled up by £2.50 a week to £14.50 next November. Family income supplement to be improved to extend help to further range of low income families.

PRESCRIPTION CHARGES: Up to £1 from December 1, compared with present 45p. Increase to 70p already planned for April 1.

INCOME TAX: Personal allowances raised 18 per cent in line with RPI increase. Married allowance up £330 from £1,815 to £2,145, single up £210 from £1,165 to £1,375. Corresponding allowances for those over 65 up by £280 to £1,820 and £440 to £2,895. Income limits for age allowance up to £5,900.

Lower band rate of tax of 25 per cent on first £750 abolished, yielding £748m in 1980-81 and £901m in full year. Changes mean increase of 11 per cent in reliefs for married couple, rather less for single people.

No change in basic rate of 30 per cent. No change in higher rates but thresholds up by 11 per cent on average. Threshold for higher rates raised to £11,250 and for top rate of 60 per cent to £27,750.

Changes will be reflected in first pay after May 31.

Investment income surcharge. No change in 15 per cent rate but threshold up £500 from £5,000 to £5,500. Provision in Finance Bill for higher rate tax thresholds and investment income surcharge threshold to be indexed in future.

HOUSE PURCHASE: Starting point for stamp duty on transfer of property up by £5,000 to £20,000. Bands increased by same amount so full per cent rate reached at £35,000.

PREMIUM SAVINGS BOND: Prize fund up by over 20 per cent from April 21, with new monthly top prize of £250,000. Ceiling on holdings up from £3,000 to £10,000.

LIFE ASSURANCE: Tax relief on premiums down from 17½ to 15 per cent from April 6, 1981. End to relief on certain short-term bond insurance schemes.

Excise duties up

ALCOHOL DUTIES: Up from today, adding about 2p to pint of beer, 8p to bottle of wine, and 50p to bottle of whisky.

TOBACCO DUTY: Increases to add 5p to packet of 20 cigarettes and nearly 4p on 25 gramme pipe tobacco pack.

PETROL: Prices up yesterday by equivalent of 10p a gallon. Rise in derv duty about 4p a gallon.

INDUSTRIALISED OIL: Up 0.5p a gallon to 3.5p.

VEHICLE EXCISE DUTY: Car licence up by £10 to £60 from today, with 20 per cent rise for lorries (30 per cent on heaviest).

Duty on electric vehicles abolished.

VAT: Total yield £12.45bn in 1980-81, first full year for 15 per cent rate. Higher penalties planned for late payment by large companies. Full rate planned for lubricating and certain other oils, now zero-rated. Excise duty and VAT changes will add just over 1 per cent to retail price index.

PETROLEUM REVENUE TAX: Up from 60 to 70 per cent from six months ending June 30. Advance payment of 15 per cent next March.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excheq. 12¼pc '85	£94⅞	+ ½
Allied Breweries	75½	+ 3½
Automotive Prdcts.	82	+ 6
BICC	111	+ 5
Centrovincial	125	+ 5
Clifford's Dairies A	84	+ 8
Comb. Eng. Stores	36	+ 3
Commercial Union	130	+ 4
Distillers	205	+ 7
Eagle Star	188	+ 12
Fairview Estates	243	+ 11
Grand Met.	126	+ 4
Highland Distills.	126	+ 6
Lloyds Bank	298	+ 8
Newmark (Louis)	330	+ 10
Paterson Zochonis A	245	+ 15
Pauls and Whites	131	+ 6
Rotork	56	+ 5
Royal Insurance	315	+ 8
Royal Worcester	250	+ 8
Whitbread A	143	+ 7
BP	350	+ 12
LASMO	452	+ 12
Siebens (UK)	580	+ 20
Guthrie	875	+ 30
Inch Knnth. Kajang	235	+ 12
Geevor	210	+ 10

FALLS

AB Electronic	142	− 4
Appleyard	58	− 4
Legal and General	154	− 6
Utd. Newspapers	393	− 12
Cons. Gold Fields	488	− 7
Impala	260	− 10
North Broken Hill	144	− 10
Vaal Reefs	£24⅞	− 1⅛

Real burden of income tax to rise ● short-term benefits to be taxed

A new medium-term strategy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE REAL BURDEN of income tax will rise and public spending will decline in the next financial year, compared with the past 12 months, as a result of the measures announced yesterday by Sir Geoffrey Howe, the Chancellor of the Exchequer, in a two-hour Budget speech.

The Budget proposals form part of an entirely new medium-term financial strategy. This major innovation is intended to set short-run policy for the year ahead in the context of a published financial strategy over the four years to 1984.

The main theme of the speech and the first priority of the strategy is the need to secure a slowing in the rate of price inflation. This is to be achieved through a steady reduction of the rate of monetary growth, supported by plans for a cut in public spending and borrowing.

Sir Geoffrey stressed the view that restraint now would bring forward the day when sustainable economic growth was possible, while successful implementation of the strategy offered the prospect of lower interest rates in the future.

The tone and emphasis of the speech were markedly different from last June, when Sir Geoffrey presented his "opportunity Budget" with its bold switch from direct to indirect taxation.

This time the stress is on "consolidation," a word which appeared a number of times in the speech. There are few risks; the broad fiscal and monetary balance is cautious and very much in line with expectations.

Indeed the measures slightly reverse some of last year's switch in taxation, as taxpayers will pay slightly more on average in real inflation-adjusted terms in 1980-81 than in the current financial year.

The increase in customs and excise duties leaves indirect taxes more or less unchanged in real terms.

Sir Geoffrey's caution is underlined by the "poor short-term economic outlook" indicated by the Treasury forecasts, also published yesterday.

Total output as measured by real gross domestic product is expected to decline by 2½ per cent this year compared with 1979, the largest post-war decline in a single year.

Unemployment is expected to rise by an unspecified amount, though the public-spending White Paper assumes a rise in the average adult total from 1¼m in 1979-80 to 1.6m in 1980-81 and 1.8m in 1981-82.

The rise in oil prices and big pay settlements are expected to mean that the 12-month rate of increase will be about 16½ per cent in the fourth quarter of this year, compared with a forecast last November of a 14 per cent rate in late 1980.

The Budget itself is estimated to add about 1.1 per cent to the retail prices index, and the 12-month rate is likely to peak at more than 20 per cent in the second quarter of this year.

The forecasts state that "conditions of declining output and profit margins squeezed by international competition should be favourable to a comparatively rapid adjustment of pay expectations."

An unquantified slowing in pay rises is implied, and the 12-month rate of retail price inflation is projected to slow to 13½ per cent by the middle of 1981.

The forecasts are believed to be slightly less pessimistic than initial projections from the Treasury computer, but are still pretty gloomy about the prospects, with a continuing large (£2¾bn) current account deficit assumed.

Consumer spending may rise slightly as households are expected to reduce their high savings in response to a small decline in real incomes.

In his speech Sir Geoffrey said that it should be easier, consistent with a given monetary target and maintenance of reasonable interest rates, to finance public-sector borrowing in a recession.

But the continuing high level of inflation means that a cut in public-sector borrowing both in current prices and as a percentage of national incomes is imperative.

The Budget measures have the direct effect of cutting borrowing by £810m to £8½bn in 1980-81. This is 3¾ per cent of gross domestic product at market prices, compared with £9.1bn or 4¾ per cent in 1979-80.

After ignoring financial items such as sale of public-sector assets, there has also been a tightening in the underlying fiscal stance.

This is necessary to achieve the target slowing in monetary growth without putting too much burden on interest rates.

The present monetary target for a 7 to 11 per cent annual rate of growth of sterling M3, the broadly defined money supply is to continue, but from a new base of mid-February 1980 to mid-April next year.

The monetary target is projected to decline from a current 7 to 11 per cent to 4 to 8 per cent in 1983-84. Public-sector borrowing is projected to fall from 4¾ per cent of gross domestic product in 1979-80 to 1½ per cent in 1983-84.

These projections are based on the cautious assumption of only a 1 per cent annual growth in total output after 1980.

THE INCOME TAX CHANGES

Income £	Old tax £	New tax £	Tax cut £
Single persons			
5,000	1,112	1,087	25
10,000	2,612	2,587	25
15,000	4,588	4,344	244
25,000	9,721	9,256	465
Married couples			
5,000	917	856	61
10,000	2,417	2,356	61
15,000	4,296	4,017	279
25,000	9,364	8,833	531

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Public spending to be cut by average of 1% a year

BY DAVID MARSH

THE GOVERNMENT is proposing further spending cuts which will reduce public expenditure volume progressively over the next four fiscal years by around an average 1 per cent a year.

It aims to make further cuts in the new fiscal year beginning next month. These will reduce 1980-81 spending beyond the plans announced last November which aimed to stabilise spending in real terms at around the levels of 1979-80.

The progressive decline in spending, outlined in the Government's public expenditure White Paper, released yesterday, represents a substantial change from the plans of the Labour Government, which in January last year announced proposals for real increases in spending of around 2 per cent annually over the next few years.

Sir Geoffrey Howe, the Chancellor, said in yesterday's Budget speech that planned spending in 1980-81 would be reduced by a further £575m at current prices, after making allowance for an increase of £325m in the contingency reserve to allow greater flexibility.

The public expenditure White Paper puts the reduction, after allowing for the contingency reserve rise, at £328m at 1979 survey prices. The difference between the two figures is accounted for mainly by expected changes in price levels between 1978—when the 1979 survey was carried out—and 1980-81.

Before taking account of the extra contingency reserve—to cover unforeseen additions to spending—Sir Geoffrey said the scale of net expenditure reductions in the coming year was over £900m, at current prices, broadly in line with expectations.

The main changes compared with the November programme affect housing spending, which has been cut by a further £378m.

The UK's net contribution to the EEC—the main area from which Ministers had earlier hoped for spending cuts—is being projected hardly changed in 1980-81 at around £1bn. The White Paper says savings would be increased by the reduction in Britain's contribution now being negotiated.

Total public expenditure for 1980-81, after making allowance for shortfalls and special sales of assets, is now put at £69.50bn at 1979 survey prices, against £69.83bn in last November's short White Paper.

This amounts to a reduction of 0.6 per cent in real terms compared with the estimated outturn for 1979-80 of £69.90bn. Previously, spending had been planned to be essentially flat between the two years.

The Government is aiming for further real reductions in coming years, bringing the volume of spending in 1983-84 to 4 per cent below that for 1979-80. It says, however, that spending plans for later years can be expressed only in broad terms.

The White Paper projects rising spending on defence, law and order, health and social security over the medium term. Plans for industry, energy, trade and employment, housing, education and nationalised industries borrowing have been substantially pruned.

Comparing his plans with those of the Labour Government, Sir Geoffrey said the reduction in spending in 1980-81 from the January, 1979 proposals came to over £5bn at today's prices. This was equivalent to the revenue that would be raised by an extra 7 per cent on the basic rate of income tax.

Expenditure in 1982-83, the last year covered by the previous government's plans, is estimated at nearly £9bn, in 1979 survey prices—below the figures given in January last year.

As part of the spending restraints, the Treasury also announced yesterday the supply estimates for 1980-81, containing most of the cash limits for central government spending next year. These make allowance for current cost increases of 14 per cent in 1980-81.

Sir Geoffrey said the difference between this and full provision for the higher inflation now forecast would be about £700m, which he said should be absorbed by greater efficiency in the public services.

Pound up slightly markets quiet

BY CHRISTINE MOIR

THE POUND rose slightly as international markets began to take the measure of Sir Geoffrey's package. Against the dollar it finished with a 50-point gain to $2.1960 and the Bank of England's trade-weighted currency index showed it standing at 72.9, compared with 72.7 on Tuesday.

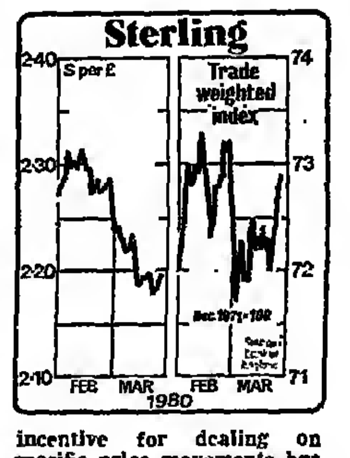
In the home markets reaction was more muted, partly because Sir Geoffrey did not finish speaking before the close of after-hours business at 5.30.

Equities had been generally firm ahead of his speech, with the FT Index at 3 pm up 4 points. Between then and the close, however, there was only an 0.8 point improvement to 435.1.

Falls in the pharmaceutical sector, following the rise in prescription charges, roughly cancelled out gains in oils, where dealers had been fearing a heavier imposition on petroleum revenue tax.

Gilts were also quiet, closing at 3.30 on a firm but unflustered note.

The market did not see the package as offering much incentive for dealing on specific price movements but the small incentive given to investors by way of increased capital gains tax allowances was seen as a hopeful sign for future trading volume.



£ in New York

—	Mar. 25	Previous
Spot	$2.1915-1925	$2.1895-1910
1 mnth	0.04dis-0.01pm	0.02-0.07 prem
3 mths	0.53-0.58prem	0.50-0.55 prem
12 mths	0.48-0.55prem	0.50-0.60 prem

Tories apprehensive about impact

BY RICHARD EVANS, LOBBY EDITOR

CONSERVATIVE MPs were relieved that neither public expenditure cuts nor tax increases were as great as many had feared. But they were deeply apprehensive last night about the impact the austere Budget could have on Government popularity.

There was particular concern at the decisions to restrict the autumn child benefit increase to below the rate of inflation and at the prescription charge increase to £1.

The Chancellor had been warned frequently by a group of backbenchers against a wholesale onslaught on social security benefits as part of the campaign to cut public spending. There now seems certain to be a rebellion of younger Tory MPs during the Finance Bill.

But Sir Geoffrey Howe was given an appreciative reception at a special meeting of the party's finance committee last night, when he underlined his medium-term strategy for curbing inflation and reducing the Public Sector Borrowing Requirement.

There were no immediate protests at the meeting on child benefits. But there was some criticism of the relatively low increases in drink and tobacco duties.

Mr. Terence Higgins, MP for Worthing, and other senior backbenchers queried whether the public expenditure cuts were sufficient to ensure early reduction in interest rates.

There was praise for the Chancellor's efforts to help small businesses and encourage the development of special enterprise zones.

The Chancellor's second Budget was in stark contrast to the optimism of his first last June. It could prove a watershed in this Parliament.

It brought home dramatically to MPs the difficult times ahead for the Government as it sticks to its economic strategy.

The Chancellor clearly tried to spread the burden as widely as possible. But, according to Labour leaders, he produced a Budget that would be savagely divisive.

Mr. James Callaghan, Opposition leader, categorised it the meanest and most hopeless Budget since the war. He singled out for attack failure to increase child benefits in line with inflation and the deliberate campaign against the trade unions.

He forecast massive resentment against the proposal to assume strikers are paid £12 a week by their unions, when the Government should be seeking union leaders' support to combat inflation.

Alan Pike writes: The Budget was totally condemned by trade union leaders. Mr. Len Murray, TUC general secretary, said its only incentive for working people would be to give massive support to the TUC's day of action against Government policies on May 14.

It was "back to the '30s with a vengeance." The Government was dividing the nation with old-fashioned deflationary policies.

Mr. David Basnett, chairman of the TUC economic committee and general secretary of the General and Municipal Workers' Union, said the Chancellor had done nothing to improve the economy, but had done a lot to worsen the position of the worst-off. "It is a nit-picking, anti-social, economically irrelevent Budget."

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EUROPEAN NEWS

New Italian Government expected before Easter

BY RUPERT CORNWELL IN ROME

ITALY'S GOVERNMENT crisis, which helped force the postponement of next Monday's EEC summit in Brussels, is now all but over. A new administration, the 39th since the end of the war, is probable by Easter.

The possibility of an early solution turned into virtual certainty yesterday with a successful meeting between the ruling Christian Democrats and the Socialists. It sealed the conditions for the latter's return to government for the first time since 1974.

If, as also seemed likely last night, Sig. Francesco Cossiga, the Premier-designate, succeeds in drawing the smaller Republican party into a new coalition, his second government will command a comfortable majority, with 339 of the 630 parliamentary seats.

Sig. Cossiga: successful talks with Socialists

The government-to-be was being described yesterday as a bridging operation at least until this spring's important regional elections, and the series of summits, both EEC and of Western industrial countries, which Italy is due to preside over between now and June.

The unexpectedly speedy resolution of the crisis, which formally began exactly a week ago with the resignation of Sig. Cossiga's first administration, substantiates hopes that the Community summit which must tackle the vital issue of Britain's budget contributions, can be held by the end of April, as the UK is demanding and the Italians have promised.

Assuming that the tricky business of dividing ministerial posts between the parties, and the factions within them, can be speedily completed, Sig. Cossiga will be then free to continue efforts at mediation between EEC governments over the budget issue.

That the crisis has been more quickly resolved than any before it is due to the new willingness of the Socialists to join a Government. It was their refusal to continue abstaining that brought about the fall of Sig. Cossiga's first administration which lasted just seven months.

This willingness in turn reflects not only a tacit compromise between the Socialists' feding Left- and Right-wing faction, but various heavy outside pressures.

Foremost among them has been the insistence of President Sandro Pertini that a new Government be formed quickly so that Italy could carry out properly its heavy international responsibilities. At the same time, growing economic difficulties and renewed attacks by urban terrorists have further concentrated the politicians' minds.

A new Government is expected to be split almost equally between the Christian Democrats and their coalition partner (or partners) and the Socialists are likely to press for important ministries.

However, it has been achieved at the cost of an angry rupture between Christian Democrats and their traditional Social Democrat allies, this time excluded. Also friction between thet two Socialist wings, over the key issue of relations with the powerful Communists, is likely to emerge again sooner or later and undermine a new Government's authority.

Turkey resumes repatriation of profits

By Metin Munir in Ankara

The Turkish central bank has resumed the repatriation of the profits of foreign companies operating in the country.

Very few foreign ventures have been allowed to repatriate their profits from Turkey since 1977 when the country's severe balance of payments problems started. For more than a year, no profit repatriation at all was permitted.

Although the central bank would not put a figure on the amount of profits awaiting transfer authorisation, they are understood to total about $90m. Transfers will be made according to the date of application.

The Finance Ministry, which authorised the action, is believed to have been motivated by a desire to improve Turkey's relations with foreign companies operating in the country and to boost its international credibility. This is in line with the Demirel government's policy of promoting foreign capital investments in Turkey and improving the investment climate.

Big payments deficit in February

BY PAUL BETTS IN ROME

ITALY'S OVERALL balance of payments recorded a L925bn (£480m) deficit last month, according to provisional figures released by the Bank of Italy. This compares with a L157bn (£80m) deficit in February, 1979. In the first two months of this year, the payments deficit totalled L1,258bn (£655m) against a surplus of L10.8bn (£5.6m) during the same period last year.

Last month's result largely reflects the sizeable rise in raw material prices, particularly oil, coupled with a lower rate of increase in Italian export prices. Import prices have further risen as a result of the recent strengthening of the U.S. dollar against the lira.

There are also signs of declining Italian export competitivity due to the acceleration of domestic inflation now running at an annual rate of more than 21 per cent.

Imports have been rising as industry builds up stocks heavily as a hedge against future increases in raw material prices and a worsening of the lira-dollar exchange rate.

Although the latest payments figures confirm the growing difficulties facing the economy, there are no immediate fears of a new payments crisis.

The winter months have traditionally represented the worst part of the country's annual economic cycle. But with the advent of spring when tourist receipts start flowing in again, the invisibles account is expected to ease pressures on the balance of payments.

At the same time, the forecast slowdown in the country's economic momentum is expected to result in a lower rate of imports.

The Bank of Italy reported yesterday a rise in the net foreign indebtedness of Italian commercial banks. This rose from L7,302bn (£3.8bn) at the end of January to L7,935bn (£4.13bn) at the end of last month. The central bank's net external position deteriorated by L360bn last month.

W. German investment optimism

BY JONATHAN CARR IN BONN

WEST GERMAN industrialists expect markedly lower rates of increase in production and sales this year and next, after the buoyant results of 1979. But their investment expenditure will remain very strong for this year at least.

These are the main results of a survey of business planning in more than 350 representative companies carried out by the IFO economic research institute of Munich and released today.

The institute cautions that the main data was received in December, before the new oil price increase and the intensification of the Bundesbank's restrictive policies. So the current business attitude may now be somewhat more pessimistic.

According to the survey, industrialists expect turnover to grow in nominal terms by 6 per cent this year and 5 per cent next, after 11 per cent in 1979. Overall production is expected to rise by 2.6 per cent both this year and next—exactly half last year's growth rate.

The production growth rate for the key capital goods sector will probably be below the average for all sectors, while the consumer durables industry will register above average production growth.

At first sight, one curious result of the test is that businessmen are continuing to budget for heavy investment expenditure, although they expect an economic downturn before long. Investment expenditure is likely to rise by 15 per cent in nominal terms this year, after 14 per cent in 1979.

The explanation appears to be that growth of capacity is becoming less important as an investment motive, while rationalisation, energy-saving and techniques based on microprocessors are becoming ever more important.

U.S. and Norway in arms talks

By William Dullforce in Stockholm

NORWAY and the U.S. have completed preliminary studies on a plan to stock heavy equipment in Norway for American forces which would reinforce Norway in a crisis. Talks on the idea are expected to begin at military staff level, but no date has been fixed.

NATO reinforcements for Norway are expected to total 10-15,000 troops, of which so far only one Canadian brigade, of 4-5,000 troops, has been earmarked. Norway requested American reinforcements in 1976, Mr. Thorvald Stoltenberg, Norway's Defence Minister, said here yesterday after talks with Mr. Erik Krönmark, Sweden's Defence Minister.

Mr. Stoltenberg was answering questions about a Soviet Press campaign accusing NATO of building up its forces in Norway and Oslo of changing its peacetime policy of not allowing foreign bases on its territory.

The Soviet allegations had no basis, said Mr. Stoltenberg. Pre-stocking NATO equipment had been made necessary by improved Soviet defence forces in the area which gave them the ability to interdict sea reinforcements from Norway.

Mr. Stoltenberg dismissed Soviet allegations that Norway had increased troop concentrations near the Soviet border after the Soviet invasion of Afghanistan.

"Anorak Express," the combined NATO manoeuvre in Norway earlier this month, had taken place 500 kilometres from the Soviet border and represented no departure from previous NATO exercises in Norway.

Statoil reveals big new field

By Fay Gjester in Oslo

A NEW oilfield in Norway's sector of the North Sea probably contains 1bn barrels of oil, worth around $30bn at today's prices. This was revealed by Statoil, the state oil company, at a news conference in Stavanger to present the company's annual report. The field, on "golden" block 34/10, will probably be declared commercial this year and could come on stream by 1986-87, the company said.

All the shares in the block are held by three Norwegian companies. Statoil has 85 per cent, Norsk Hydro 9 per cent and Saga Petroleum 6 per cent.

Meanwhile, Esso confirmed yesterday its intention to develop the small Odin gas field in Norway's sector.

Statoil results, Page 30

Plan to boost power from coal

BY KEVIN DONE IN FRANKFURT

THE WEST German Government yesterday approved a major new coal supply agreement between domestic coal producers and the electricity supply industry, which will guarantee a growing captive market for the high-cost West German coal producers through to the final years of the century.

At the same time the agreement will open the way to increasing coal sales to West Germany during the 1980s from low-cost producing countries, such as Poland, Australia and South Africa. In the past, coal imports have been strictly controlled in order to protect the domestic mining industry.

The new agreement will mean that the present levels of coal burned in West German power stations of 33m tonnes a year of domestically produced hard coal will be increased to more than 45m tonnes a year in 1990 and over 47.5m tonnes in 1995.

The contract envisages that a total of 511m tonnes of home-produced hard coal will be burned in power stations over the next 15 years, the duration of the new agreement.

The pact between the coal producers and the electricity supply industry should help remove one of the major obstacles to the development of a more coherent West German energy policy, although both industries have emphasised that a much larger nuclear component will still be needed if West German electricity/generating capacity is to be expanded quickly enough to meet expected rises in demand.

Dr. Dieter von Würzen, State Secretary at the Federal Economics Ministry, said yesterday that the contract would give both the coal and electricity industries the security needed for long-term planning. It will also ensure, however, that West German electricity users will have to continue to subsidise high cost domestic coal production through their electricity bills.

Consumers have been paying an extra 4.5 per cent on their bills to take account of the price differential between heavy fuel oil and home-produced coal. This subsidy will be continued into the foreseeable future because of the further differential in costs between home produced and imported coal. West German hard coal costs DM 173 or more per tonne compared with import prices in Hamburg or Rotterdam of only around DM 100 per tonne.

At present hard coal accounts for about 25 per cent of public utility electricity production in West Germany compared with 30 per cent by brown coal, 20 per cent gas, 14 per cent nuclear energy, 5 per cent hydro power and 5 per cent oil.

The new contract should allow hard coal to hold this share in a rising market, but the electricity industry is still counting on nuclear power filling some 30 per cent of electricity demand by 1990.

Until now imported coal has been tightly restricted by the Federal Government, but the new pact will allow electricity producers to import one tonne of coal for every two tonnes of home coal burned up to 1987 and then one tonne of imported coal for one tonne of home coal burned after that date.

Margaret van Hattem concludes her examination of the CAP

The prospects for reform

FAULTING THE common agricultural policy is becoming so easy—in Britain it is turning into a favourite national pastime—that its good points are often overlooked. In its aims and principles it is a perfectly reasonable system which has become an integral part of European unity.

That the system is currently working against this unity by pushing EEC economies further apart is more than a little unfortunate. Perhaps it is time to shoot the pianist. Certainly the piano is badly in need of tuning. But the instrument itself is still sound.

Nearly all that is wrong with the CAP results from the fact that it operates mainly through the guaranteed price mechanism, which cannot solve all the problems currently heaped on it. Prices are too high—hence mounting surpluses and falling consumption—yet they are still not high enough to give small farmers an adequate income. Trying to help small farmers by increasing prices further is like jacking up a skyscraper instead of adding a top floor—the cost is enormous and the effect on the small farmers minimal.

The view from the top of the food mountains has long been of something gone badly wrong, and the need to put it right becomes more urgent as the EEC budget nears depletion and as Greece, Spain and Portugal clamber to bring their 5m farmers into the Community.

The strong resistance to putting things right is partly due to the powerful political and commercial interests vested in the present unwieldly system. There is also a tendency among those who attack the CAP to ignore some of its very real achievements. Under the CAP, Europe has gained:

- A single market for farm products, based on common prices, the EEC's first step towards economic union, which helps concentrate production in the more efficient, lower cost regions. (The "green money" system, introduced to hold national prices apart, frustrates this aim, but green and foreign exchange rates are gradually converging, drawing national prices closer.)
- Income support, which keeps thousands of small farmers out of the EEC's swelling dole queues. Driving them off the land would help no one until there is somewhere in industry for them to go.
- A reduction in dependence on imports: Without some form of subsidy, most of Europe's high-cost farmers would go out of business, making the Community even more dependent on imports for its food than it now is. (Livestock production already depends heavily on imported grain substitutes for animal feeds; crops need imported oil for petrochemical fertilisers.)

Any acceptable reform of the CAP must take account of these factors. But any effective changes must also divert funds away from price support, which helps mainly those who least need it, towards income support.

Everyone involved with the CAP has his own pet schema for reforming it, ranging from the obviously cosmetic to the savage. Farmers favour those solutions which do not tamper with the price mechanism—consumer subsidies, cash incentives to produce less or, if they are pushed, production quotas. None of these could solve the problem.

Consumer subsidies, in order to align consumption with production, would have to be so big as to defeat the purpose of cutting farm spending.

Paying farmers to produce less does not work—it has been tried in the dairy sector where farmers are paid to kill their cows — without — production quotas. This is because farmers simply breed more cows, or use the money to increase their yields. Quotas have been tried in the sugar sector, but are ineffectual because farm ministers insist on the quotas being too big, and subsequently refuse to cut them back.

The EEC Commission is currently trying to solve the dairy problem by maintaining the milk price while closing the open-ended guarantee by taxing farmers on increased production at a rate high enough to cover the cost of disposal. This is, in effect, a quota system and suffers from the same defect as the other suggestions: it attacks the effect and not the cause of the problem, which is that prices are too high and supporting them costs too much.

My own view is that the only acceptable way of cutting prices is to freeze them at present levels for several years, letting inflation erode them in real terms. This would encourage consumption, so that a substantial part of what the food industry lost in subsidy would be picked up in higher sales.

Any effective reform, however, is going to hurt and no politician cares to take the responsibility for that. He needs the sort of alibi he gets at home from the budgetary ceilings imposed on national spending.

Previous attempts to impose a ceiling on farm spending have failed—possibly because there has always been enough money to go round. But some time in the next two years, the kind of excuse that is needed is going to be presented to the EEC's politicians on a plate. The EEC budget is going to reach its upper limit either next year or in 1982, and both Britain and Germany say they will refuse to pay in more.

Moreover, the acceptance of Greece, Spain and Portugal as EEC members could become impossible if the Community's financial house is not put in order first.

What, finally, has all this to do with the British budget contributions problem? Quite simply, the CAP is the British budget problem. Britain has so few farmers that the country can never hope to benefit from it significantly. Reduce the proportion of EEC money spent on the CAP and most of the problem is solved.

This, combined with the Budget hitting the ceiling, could be the element that finally force governments to come to grips with the CAP. But all of them, even the UK Government, may be tempted to dodge the real issue, which is that prices are too high, so long as the EEC's books can be balanced. The cost to British and other EEC consumers of high food prices is much bigger than indicated in the EEC budget. Any solution of the British problem—by adjusting the financial mechanism so that Britain pays less and increasing spending on energy, transport and infrastructure projects so that it gets back more—and which does not at the same time cut farm prices in real terms, simply shifts more of the CAP's cost from the taxpayer to the consumer. If the British Government opts for such a solution, it could be an opportunity missed for the entire Community.

How the money is divided up

THE CAP is generally represented as a system of support for EEC farmers. But less than 5 per cent of the money goes directly to the farmer. The rest is paid to food processors, transporters, private storage companies and food traders.

Intervention buying: About a third of CAP money goes in buying up surpluses like butter and sugar from food processors.

The dairy farmer eventually receives from the manufacturer about 90 per cent of the price guaranteed on products made with his milk; the beet grower about 58 per cent of what is paid for sugar made with his beet. The rest goes to transporters and processors.

Storage: About 14 per cent of CAP money goes on storage costs, paid mainly to private companies. Most of the big surpluses are stored in West Germany—including 70 per cent of the butter mountain and 96 per cent of the skimmed milk powder surplus, together with large quantities of rye and beef.

Because storage costs are converted from ECU into national currency at the "green" rate, and because the D-mark is the most overvalued of all green currencies, storage is more expensive and more profitable in West Germany than in any other EEC country.

Export subsidies: Nearly half the CAP money is paid to traders to compensate them for selling at world prices, which may be as little as one-fifth of the EEC price. These subsidies are paid on butter, cereals, sugar, milk powder, beef; and also on their content in processed foods like cakes, confectionary and ice cream.

Manufacturers may receive a full subsidy on ingredients which they have bought for as little as a third of the EEC price: each year 130,000 tonnes or so of butter are sold off cheaply within the EEC to makers of cakes, biscuits and ice cream, but they still get the full export subsidy if they export these products.

The subsidies are fixed by Commission and national officials at regular tenders and are often more generous than is indicated by world price levels, reflecting the Community's wish to off-load a large amount of surplus food.

Traders often speculate on these subsidies and can make large profits. If a sugar trader had applied last December, when the sugar rebate was £112 a tonne, for a rebate on a 50,000-tonne consignment which he did not sell until February, the world price had reached the EEC level, the Community would have paid him £5.6m to compensate for a non-existent loss.

A significant proportion of EEC farm price support, therefore, finds its way to the major food companies. They sell into intervention and buy back cheaply. They pick up storage reimbursements, food processing aids, export rebates and current subsidies on intra-Community trade.

It is all perfectly legal and, indeed, they would be foolish to ignore the money-making opportunities that the CAP offers.

Talks anger French Communists

BY DAVID WHITE IN PARIS

FURTHER SIGNS of a split between the French Communist Party and the rest of the Euro-Communist movement have followed a meeting on Monday between Sig. Enrico Berlinguer, Italian party chief, and M. Francois Mitterrand, French Socialist leader.

Their "long and cordial" meeting in Strasbourg met a strong expression of disapproval from M. Georges Marchais, French Communist secretary-general.

Dropping his usual reference to his Italian counterpart as "my friend," M. Marchais said he had no objection in principle to such a meeting, but the time and place were ill-chosen.

The meeting coincided with the special session of the European Parliament, "where a reactionary and Socialist majority is preparing to deal a new, hard blow to France's peasantry and agriculture."

M. Marchais last met Sig. Berlinguer in January, just after the Soviet invasion of Afghanistan.

The French party's pro-Moscow stance on Afghanistan has made it difficult to paper over the rift with the Italian and Spanish Communists, who were already dismayed by M. Marchais' campaign against EEC integration, and Spanish entry.

The meeting between Sig. Berlinguer and M. Mitterrand comes at a time of sharply deteriorating relations between French Communists and Socialists.

M. Marchais has accused M. Mitterrand of joining a "gang of three" plot with the two government parties in a campaign against the Communists and M. Marchais.

Sig. Berlinguer, who also held talks recently with other European Socialist leaders, was believed to have left his contact with M. Mitterrand until now out of deference to the French Communists.

He recently sent a message of support to M. Marchais in the controversy over M. Marchais's wartime and post-war activities.

Before leaving Strasbourg, Sig. Berlinguer said he did not understand why his meeting with M. Mitterrand should be interpreted as a move against the French Communist party.

He expressed determination to continue contacts with other parties of the Left.

Anthrax outbreak denied

MOSCOW — An influential weekly newspaper yesterday gave Soviet readers their first official account of last week's U.S.-Soviet row over germ warfare, but said the affair involved only foot-and-mouth disease.

The report, in Literaturnaya Gazeta, conflicted directly with government statements for foreign consumption, which said the disease was anthrax.

The U.S. State Department said a week ago it was concerned over intelligence reports of an anthrax outbreak around the Urals city of Sverdlovsk, and suggested the disease might have spread from an accident involving banned germ warfare weapons.

The Soviet Union told an international conference in Geneva last Friday that the anthrax outbreak was natural, had nothing to do with germ warfare, and spread to humans because meat from diseased animals was sold as food.

Reuter

Swiss bank deputy chief to resign

By Peter Montagnon in Basle

PROFESSOR Leo Schuermann, vice-president of the Swiss National Bank, is to resign to become general manager of the Swiss Broadcasting Corporation, it was announced yesterday after a Swiss Cabinet meeting in Berne.

His departure will leave a vacancy in the national bank's three-man directorate where he has special responsibility for the capital markets.

Prof. Schuermann, 63, a lawyer and politician, never felt entirely comfortable with his role as a central banker, although he had an acute awareness of domestic Swiss politics.

It was for this reason that in recent months he criticised the trend towards higher interest rates in Switzerland.

He saw this as unpopular with the Swiss electorate, particularly because of its effect on mortgage rates, which are scheduled to rise on April 1 for the first time since 1975.

His new duties at the broadcasting corporation begin in March next year, though it is understood he could start earlier.

Land issue stokes unemployment fears in Portugal

BY JIMMY BURNS, RECENTLY IN THE ALENTEJO

WITH ITS FLAIR for well-orchestrated propaganda, the Portuguese Communist Party and the million-strong union it controls is involved this week in a series of partial strikes and stoppages in protest at the Government-sponsored break-up of collectivised land in this southern region of the Alentejo. Posters, banners, and stirring anthems crackling through megaphones are contributing to the impression of an impassioned "week of struggle" against the "forces of reaction."

On one Communist-run collective farm, "The Fifth of October," 53-year-old Francisco Espanhol is clear how he feels following one recent experience nearby. Groups of local para-military police, two officials from the Ministry of Agriculture, and an ex-landowner who preferred to remain nameless came and expelled 63 men, women and children from a large farm house. The man was then handed a piece of paper which made him the legal owner of the house, a few animals and machinery, and about 356 acres of land.

"All that has happened here is that I've been given back what was robbed from me in the first place," the landowner said. But Francisco Espanhol takes a different view. "All we want is work and peace. But if they go on doing this we shall go hungry. Then we'll fight."

The Fifth of October collective farm is named after the day in 1975 on which over 1,000 land hungry peasants, caught up in the euphoria of the Portuguese Revolution, invaded one of the large estates then existing in south Portugal and declared it to be in "the hands of the people."

But since the approval of the Agrarian Reform Bill in the summer of 1977, this trend has been dramatically reversed. An estimated 550,000 of the 2.5m acres of land expropriated following the revolution have been divided into smaller and more productive units and handed back to private ownership. Portugal's present Government has handed back approximately 75,000 acres, and has promised to complete the process by handing back another 625,000 acres by next October's general election.

But one of the immediate practical consequences of agrarian reform has been unemployment. Private farmers are aiming to maximise profits through the use of machinery and fertilisers, and do not want to be overburdened with excess labour.

According to local farm unions, the active working population in the Alentejo has dropped in three years from nearly 72,000 to less than 55,000, and this number is falling all the time. The Ministry of Agriculture estimates that between 20,000 and 30,000 rural labourers will be in danger of being unemployed.

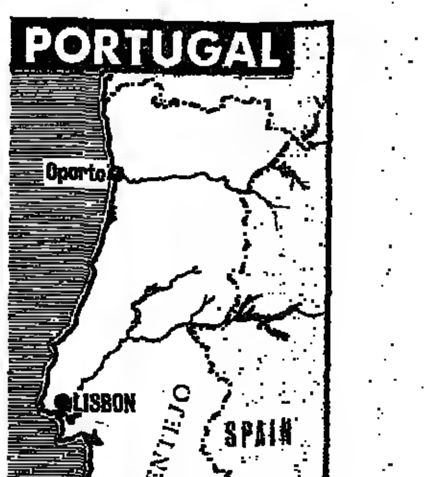
Until recently Portugal's Communist Party, whose elected committees sit on every collective farm, have shown a reluctance physically to oppose the application of the agrarian reform law.

Earlier this month the party virulently condemned a speech made by Major Otelo Saraiva de Carvalho urging a violent uprising in the Alentejo. The major, one of the main plotters behind the 1974 revolution, told local farm workers that they should arm themselves and march on Lisbon.

Publicly the Communist Party has accused Otelo of being both irresponsible and unrepresentative. But the signs are that the prospects of unemployment is beginning to raise the pitch of left-wing opposition in the region.

The sheer frustration experienced by a growing number of landless peasants is finding its expression in more violent action. In recent weeks a number of wildcat strikes and demonstrations which have not been organised by the Communist-controlled farm unions have taken place.

Future stability in the Alentejo depends on the Government's ability to present a coherent policy of compensation for the farm workers who are in danger of being made redundant. The few cards which Sr. Francisco sa Carneiro, the Portuguese Prime Minister can still play include a distribution of small plots of land among individual peasants, an ambitious civil construction scheme, and support for the country's weak industrial sector. It is not going to be an easy task.



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Double blow to hope for accord on Palestinians

By Roger Matthews in Cairo

EGYPT'S CHANCES of reaching an agreement on Palestinian autonomy by May 26 suffered a dual blow yesterday with the defeat of President Jimmy Carter in two Democratic primaries and the blunt refusal by Israel to accept even a temporary freeze on building new Jewish settlements in occupied Arab land.

Despite these setbacks Egypt is going into the next full round of autonomy negotiations in Alexandria today expressing the belief that the talks will prove a critical test of Israeli intentions.

Privately, senior Egyptian officials are deeply pessimistic about the likely outcome.

They fear the weight of the Jewish vote in New York which helped to give Senator Edward Kennedy a startling victory over President Carter may serve to strengtheo Israel's resolve to stick to its present policies, and also to lessen the chances of the White House putting pressure on the Jerusalem government.

President Carter bas invited President Anwar Sadat and Mr. Menahem Begin, Israel's Prime Minister, to Washington for separate talks next month, the results of which will be vital to the prospects of a more broadly based Middle East peace.

Mr. Sadat bas already warned that be will reassess the wbole situation if agreement on Palestinian autonomy is not reached by the May 26 deadline.

Mr. Sol Liwowitz, the U.S. Middle East negotiator, had few words of cheer for Mr. Sadat wben the two men met yesterday ahead of the Alexandria talks.

Earlier this week in Jerusalem Mr. Liwowitz reportedly failed to make any progress with the Israelis and was firmly rebnffed on tbe controversial settlements issue.

The very least the Egyptians demand from the negotiations today is Israeli agreement to set up a special committee to defioe its security requiremeots.

Dr. Mustapba Khalil, the Egyptian Premier wbo will be leading his country's team, says that Israel has repeatedly evaded issues by quoting security reasons but has never defined what it means by "security."

Dr. Khalil added tbat if the Israelis still refused to discuss security at Alexandria, this would be proof that they did not intend to meet the May 26 deadline.

President Sadat and Mr. Linowitz are to meet again on Friday or Saturday after tbe conclusion of the Alexandria talks.

David Lennon adds from Tel Aviv: Mr. Ezer Weizman, Israel's outspoken Defence Minister, has hinted loudly that he may resign in May, and forecast that the Government would fall by the end of summer.

Apparently frustrated by the Government's stance in the autooomy talks, and angered by its settlement policy, the Minister told some Knesset (Parliament) members that the only thing be agrees with the Government about is the decision to build a new military aircraft, the Layie.

Knesset members quote Mr. Weizman as saying be would "return and resign" after a visit to the Pentagon in May to wrap up the Layie arrangements.

Politicians expressed donbt that he would resign, because he enjoys his job so much. They saw his outburst as an expression of pent-up frustration with the Cabinet's settlement decisions, and his growing isolation within the Herut Party.

Iran reduces oil exports to 600,000-700,000 b/d

BY SIMON HENDERSON IN TEHRAN

IRANIAN oil exports have fallen to between 600,000 and 700,000 barrels a day (b/d) over the past three weeks, as confusion mounts over oil pricing policy, according to officials here. Iran's oil is now the most expensive in the Gulf, and this is discouraging customers.

Reduced Iranian output will not in itself hit consumers, but with Kuwait, Libya and Venezuela all cutting production from April 1, it will help to strengthen the oil market.

Contractual obligations are apparently being met, and since these run at an average of 1.1m b/d, it is assumed that 1980 first-quarter sales bave mostly been completed. Such customers as British Petroleum and Shell, and 12 Japanese companies, whicb together take about 820,000 b/d, would not necessarily yet feel the pincb on supplies, since their tankers load only every seven to 10 days.

Iran's official price of $31 a barrel is effectively increased to $32.50 because of a $3 surcharge on 50 per cent of the volume. This high price is making contracts with Iran unattractive.

The crunch will come on April 1, when new contracts become effective and old ones arer olled over. Yesterday, Telexes were being sent out from the Natiooal Iranian Oil Company headquarters in Tehran inviting new customers.

It has been a guiding principle of all Iranian Governments since last year's revolution that exports must be cut back from the 6m b/d level of the Shah's regime, and the bighest possible price must be obtained.

Production was initially cut back to 4m b/d, of which about 900,000 b/d was for domestic consumption. It has since dropped further, to an admitted level of 2.7m b/d and an actual level, accordiog to official but unpublisbed figures, of about 2m b/d.

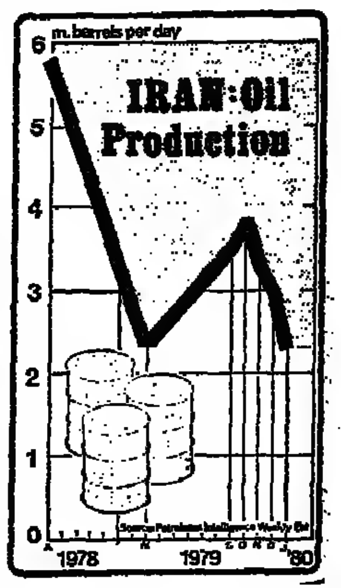
Central to the difficulties over pricing policy was a proposed further increase of the special surcharge. Mr. Ali Akhbar Moinfar, the Oil Minister, said oo March 17 that it might be increased from $3 a barrel to $4-5 a barrel.

An indication of internal arguments of whether this would price Iranian oil out of the market came during speeches on Petroleum Day in Tehran — the anniversary on March 20 of the oil industry's nationalisation in 1951.

Reference to the proposed increase was made in speecbes both by Mr. Moiwfar and by President Abol-Hassan Bani-Sadr, but on tbe evening's news programme, the President's remarks are said to bave been edited out and Mr. Moiwfar's were not screened. Tbe issue is now said to be under debate in the ruling Revolutionary Council.

Basic to tbe issue is the Iranian budget, which is 65 per cent dependent on oil revenue. If exports continue at present levels, only about a third of this will be obtaioed.

Confidence is still expressed within the industry tbat, giveo the customers, Iran can meet demaod. With the onset of summer, domestic demand will drop because heating oil will no longer be needed. Persisteot sabotage by Arab separatists has affected production only marginally.



Expansionist South African budget pinned on private sector

BY BERNARD SIMON IN CAPE TOWN

Mr. Owen Horwood: a rare opportunity

IN A strongly expansionary, but conservatively financed budget, Mr. Owen Horwood, the South African Finance Minister, yesterday announced extensive tax reductions, higber food subsidies, and exchange control relaxations.

The concessions include the abolition of the 7.5 per ceot import surcbarge and the authority's readiness to allow early repayment by certain South African borrowers of their foreign loans.

The stimulatory budget, wbich has been widely welcomed comes after a relaxation of private banks' credit ceilings, announced the the Reserve Bank on Tuesday. Defeoce spending is to iocrease sharply.

Although business activity has been accelerating io recent months, Mr. Horwood said "it bas not yet gathered adequate momentum." He disclosed that the economy's real growth rate was 3.75 per cent last year.

Sharply higher gold earnings have allowed Mr. Horwood to budget for a massive increase in gold mine tax payments in the coming fiscal year, the main cootributor to a 20 per cent increase in total government revenue. Mr. Horwood said the high gold price and earlier fiscal and mooetary restraint had afforded South Africa "the kiod of opportunity for sound economic expension which comes aloog very rarely in the life of a nation."

Mr. Horwood's generous budget has been made possible by the cootribution of gold to the balaoce of paymeots and government revenues. The current account surplus reached a record R3.1bn (£1.73bn) last year, as against R1.5bn in 1978. Tax collections last year were 19 per cent bigher than the estimates made last March. Basing bis estimates on "conservative assumptions" on the course of the gold price, Mr. Horwood has nevertheless budgeted for a massive increase in gold mine revenues, from R855m in 1979-80 to R2.5bn this year.

A volatile money supply and high inflation are the main problems facing South Africa's economic policymakers. Mr. Horwood disclosed that the money supply rose at an annual rate of 30 per cent in the second half of last year, as a result both of the stroog balance of payments aod domestic credit expansion.

None the less, the budget estimates appear to be based on a gold price well below current market levels. "I canoot empbasise strongly enough," Mr. Horwood said, "the need to guard against the danger of lapsing into a state of euphoria about the economy simply because the price of gold has risen to record heights in recent months."

Despite generous tax concessioos, government spending is budgeted to rise by 14 per ceot, the current inflation rate, during the coming year. Spending on black education will go up particularly fast.

The borrowing requirement for 1980-81 will be R2.2bn, a 32 per cent increase from last year. The deficit will be fioanced, however, almost entirely by domestic loan issues. Foreign loans are budgeted to raise only R100m as against R277m borrowed abroad in 1979-80.

China to decide on jump jet

By Colina MacDougall in Shanghai

CHINA IS expected to make a decision this week on wbether to buy the Harrier jump jet, trade officials claimed in Peking yesterday. Negotiations bave made uneven progress in recent months, with China claiming British prices were too high. The Chinese have indicated they would now prefer to bny the European-manufactured Tornado, which is a multi-purpose combat aircraft. But there is little chance of the North Atlantic Treaty Organisation allies agreeing to this.

Mr. Francis Pym, the British Defence Secretary, yesterday held talks in Peking with Chairman Hna Guo-feng and Mr. Huang Hua, the Foreign Minister.

They did not discuss particular cootracts, but Mr. Pym offered the Chinese the services of the Royal Air Force to train Chinese pilots

Talks between senior Industry Department officials and the Chinese Light Industry Ministry were encouraging, especially on prospects for joint ventures. This follows the announcement by Jardine Matheson and Schindler of a joint venture with the Chinese to modernise lift factories

Mugabe appeal to strikers

By Quentin Peel in Salisbury

THERE WAS a mixed response yesterday to the appeal by Mr. Robert Mugabe, the Rhodesian Prime Minister-elect, for strikers to return to work.

Some 800 bus drivers in Bulawayo were still on strike yesterday morning as well as 1,500 textile workers in Gatooma.

The disputes are part of a wave of wildcat stoppages which have swept the country

Mr. Mugabe, his Ministers and senior party officials have all appealed to the workers to ge back to work and press their demands for higher pay and better conditions through the existing industrial relations machinery.

New Zealand 'can expect little growth'

BY DAVID WHITE IN PARIS

NEW ZEALAND can expect little economic growth this year, increased inflation, continuing high unemployment and a persistent balance-of-payments problem.

This is the outlook presented in the Organisation for Economic Co-operation and Development's latest report publisbed today.

As long as there are no more sharp increases in oil prices, the economy may move on to e steadier course later in the year, it says, but weaker growth in other Western countries will hit New Zealand's export prospects.

Worsening terms of trade will probably wipe out any hope of improving on last year's NZ$700m (£304m) deficit in its balance of payments current account—equivalent to about 3.5 per cent of gross domestic product.

Private investment is almost certain to be weak, the organisation says. Consumer price inflation is likely to rise to 16 per cent, from 14 per cent last year, and total wages are expected to increase by 16 or 17 per cent.

Inflation control is singled out as the first priority in the short term. But the organisation also urges the conservative National Party Government to do more to raise exports and increase competitiveness. It welcomes last year'a removal of price controls, the devaluation of the dollar, and the Government's new flexible exchange rate policy.

Other countries could belp New Zealand by allowing freer access to their markets, the organisation says.

Big development projects, including the Maui natural gas field, will provide substantial benefits and income growth in the future, but "they are not a substitute for the necessary structural changes in the New Zealand economy."

The organisation sees little room for manoeuvre in economic policy. Balance of payments and inflation problems rule out faster growth, and greater restrictions would only worsen prospects for investment and the labour market. The organisation recommends a cautious approach, and steadier management of the economy than in the past.

Jurek Martin reports on the Senator's two primary victories over President Carter

Kennedy gets message across to New York

SUCCESSIVE Democratic Party primarles and caucuses this year have hoiled down to a simple referendum on first the character and second the policies of Senator Edward Kennedy. In 18 out of 19 cootests, he lost, in many of them very badly.

But on Tuesday, in New York and Conoecticut, both cosmopolltao statea, the Issue was not Chappaquiddick: it was the record aod pollcles of President Jimmy Carter, and, for the first time, Senator Kennedy got his message across.

He did it In atyle. In New York, where local polls a week before the election bad put him as much as 20 points behind, he thumped the Preaident by 59 per cent to 41 per cent, winning 164 conventlon delegates to Mr. Carter's 118. In Connecticut, the margin was smaller—47 per cent to 41 per cent and 29 delegates against 25—but no less impressive.

On the Repuhlican side, the real winner again was Mr. Ronald Reagao. He did lose in Connecticut to the oative son, Mr. George Bush, by 34 per ceot to 39 per cent, with Mr. John Anderson coming in with 22 per cent. But in the all-important delegate race, Mr. Bush's 15 Connecticut delegates to 14 for Mr. Reagan and slx for Mr. Anderson, were a drop in the bucket compared with New York, where there was no Presidential preference primary but where the former Covarnor of Californla could end up with as many as 90 delegates, compared to half a dozen for Mr. Busb and just one for Mr. Anderson.

But it was wbere and how Mr. Keonedy won, in New York especially, that must give the President's strategists plenty of food for thought, both as they seek to combat a Kennedy recovery and, if they overcome that, as they look abead to the general election campaign.

Mr. Kenoedy crucified the President on the issues. He carrled the New York Jewish vote by better than three to one, capitalising on discontent with Administration pollcies towards Israal, above all the recent UN vote.

The Senator also walloped the President in the cltles and in most of tha ethnic aod religious communities in them. The black vote in New York was avenly divided. This can only be ascribed to soaring inflation and to the fact that Mr. Carter's austere remedies are percelved as falling heaviest on those least able to bear them. Trying to promisa, as the Carter campaign did in New York, that a large chunk of Federal aid to the city would be exempt from the budgetary axe was simply not taken at face value.

Above all, Mr. Kennedy won wall hecause he was out there campaigning, with vigour and bumour, while Mr. Carter remained closeted in the White House, discreetly liniog up the support of local luminaries. Even allowing for the fact that New York is natural territory for e Kennedy (it sent bis hrother, Rohert, to the U.S. Senate) and that New York City itself, much of it an ethnic bodgepodge of America's least privileged, has always possessed a strong liberal strain, there is no disguising that tbe Kennedy campaign, taking the lead from tbe candidate, has auddenly found true heart. A long-banked fire was ignited.

The question ls wbether the conflagratioo can spread. On the Seoator'a side, there now exists the indefioable quantity known as political momentum, which brings with it money. He can also point to the fact that he carried not only New York City, but much of the more conaervative upstate area

On tha President's side lie the inexorable laws of electoral mathematics: his strategists still belleve that, given the lead in the delegate raca be already possesses, Mr. Kennedy will have to win each subsequent primary and cancus by an average of at least 60 per cent to 40 per cent to take the nomination, by any standarda a tall order.

In addition, there is clear aotipathy to Mr. Kennedy in many of tha states ahead. Thair is also the prospect tbat Mr. Carter can yet turn international events to bia advantage.

Next waek, the primaries move to Wiaconsin, a volatile atate, and Kansas, wbere, if the caucuses in such midwestaro states as Iowa and Oklahoma are any guide, Mr. Carter should do well. On Saturday waek, the focus ia on Louisiana, where the liberal tradition of New Orleans tends to be nutweighed by more conservative sentiments elsewhere.

But the next big hattleground is Pennsylvania on April 22, in which Mr. Kennedy ls bound to make a big effort. Mr. Carter's victory in the 1976 Pennsylvania primary over a crowded field gave him a hig lift, but a two-horse contest against Mr. Keonedy would present a starker choice.

The prospect of an lncreasingly sharp Carter-Kennedy confrontation will not displease Mr. Reagan; nor will the latest murmurings from Mr. Jobn Anderson that be may yet entertain running as a third party candidate in the general election. For M. Anderson, not to mention Mr. Busb, Wisconsin next Tuesday assumes great signlficance.

Republicans and lndependents may vote in the Wisconsin Democratic primary and vice versa. Mr. Anderaon's hope was that disaffected Democrats would opt for bim; but a liva contest for the Damocratic nomination may persuade voters to stay inside party lines.

DEMOCRATIC POPULAR VOTE		
New York primary		
Kennedy	574,190	(59%)
Carter	399,731	(41%)
(99 per cent of precincts reporting)		
Connecticut		
Kennedy	98,571	(47%)
Carter	87,108	(41%)
Brown	5,357	(3%)
(100 per cent of precincts reporting)		

REPUBLICAN POPULAR VOTE		
Connecticut		
Bush	70,070	(39%)
Reagan	61,333	(34%)
Anderson	40,481	(22%)
(All precincts reporting)		

Senator Edward Kennedy, with his wife Joan, greets supporters after his dnnble victory

DELEGATES WON

Democrats	NY	Conn	Won previously	Total
Carter	118	25	604	747
Kennedy	164	29	206	399
1,666 delegates needed for nomination				
Republicans	NY	Conn	Won previously	Total
Reagan	91	14	209	314
Bush	6	15	47	68
Anderson	1	6	38	45
Uncommitted	19	0	36	55
998 delegates needed for nomination				

Administration accuses Ford of breaking wage guidelines

BY IAN HARGREAVES IN NEW YORK

THE CARTER Administration appeared yesterday to turn the screw a little tighter in its efforts to obtain support for its recently-adopted wage-price guidelines for the current year.

The Council on Wage and Prire Stability, wbose staff is being increased as part of President Carter's two-week-old anti-inflation package, yesterday formally listed the Ford Motor Company as being ln violation of the guldelines in a three-year contract agreed with the United Autoworkers' Unioo last summer.

In a separate move, a senior Adminlelration official took the unprecedented step of attacking a pay settlement before it bad been ratified by the workers involved.

The official described as "bad for the country" the deal at present being considered by 70,000 oil refioery workers, wbo bave heen on national strike for 12 weeks.

The two-year contract appears to offer pay increases each year of around 10½ per cent, against the Administration's voluntary guideline of 7½-9½ per cent. The President has said be hopes most settlements will focus around 8½ per cent.

Yesterday's listing of Ford, along with four small construction companies, takes to 20 the list of those officially ln violation of the guidelines.

The Federal Office of Procurement has the power to disqualify these companles from Federal contracts in excess of $5m.

So far, this power bas not been used and, given the general coocern ln Washington about the health of the U.S. motor industry, it would be astonishlng if it were used against Ford. The No. 2 motor company could be seriously hurt by such a move, aspecially in its profitable aerospace dlvislon.

At this stage, the Administration's actions seem to imply merely an attempt to raise public awareness of the guldelines in advance of key industrial settlements this year in the metals, construction, telecommunications and transport industries.

In attacking the oil workers' deal, the Adminlstration made it clear it remeins prepared to take e permissive lina ao long as companiea guarantee that the costs of any wage settlement above the guidelines will not be passed nn in prices.

That formula was successfully employed last year to avoid listiog General Motors, after its deal with the United Autoworkers, which was similar to the Ford contract

Another important consideration for the Administration is its relations with the labour movement in an election year.

Mr. Lane Kirkland, bead of the AFL-CIO, the country's federation of trade unions, bas attacked the President's anti-inflation package as "harmful to labour interests."

Jamaica 'will not repudiate foreign debts'

KINGSTON — Jamaica will not meet tha requirements of an International Monetary Fund loan, but has nn intentinn of repndiating its foreign debts, Mr. Michael Manley, Prime Minister, told parliament here yesterday. Jamaica would renegotiate and reschednle its debts, he edded.

On Monday, the Cabinet endorsed a declsinn by the executive council of the ruling People's National Party to discontinue efforts to work ont e waiver nf IMF loan conditions.

Tha decision meant Jamaica would not try to qualify for its next $30m instalment on a $250m IMF loan approved two years ago. But Jamaica is to remain a mamber of the IMF.

IMF officials blocked the $30m in an attempt to stabilise Jamaica's struggling economy. The IMF wanted Jamaica to rednce its Budget expenditures by $28m. Latest figures show Jamaica's total foreign debt at $2bn.

AP

Boeing wins big cruise missiles order

BY DAVID BUCHAN IN WASHINGTON

THE U.S. Air Forca bas chosen Boeing Corporation over General Dynamics as the prime contractor to build Crulse mlssiles to be carried by American B-52 bombers in the 1980s.

The salection was a significant commercial coup for the Seattle-based Boeing Company, offsetting the earlier award to General Dynamics of the main contract to build tha sea- and ground-launched verslons

Calling yesterday's dacision "a significant milestona in tha development of U.S. strategic deterreot forces," Mr Hans Mark, the Air Forca Secretary, said the total value of the production run of over 3,000 air-launched cruisa missiles (ALCMs) was around $4bn. Of this, Boeing could be expected to get between $1bn-$2bn of business directly, depending on bow much it chose to subcontract to other companles.

Pentagon officials aaid that under tha contract Boeing could make up to 9 per cent profit on the contract, thougb this depends on the company's manageroeot of costs.

In the first year, Boeing is to make some 225 cruise missiles, worth $141m. After that, the Defence Dapartment will review review the programme and could decide to ward some of tbe future work to General Dynamics.

Mr Mark aaid tha cruise missile represents the first introduction for a long time of a new techoology in tha davelopment of strategic nuclear weapons. He was referring to the complex electronic guidance systems

Boeing won the competition nver GD, the Air Force Secretary said, because its prototype bad a better guidance aystem, was better adapted to follow terrain at low leval, and could be better maintained.

Congress acts quickly on financial reform

BY STEWART FLEMING IN NEW YORK

THE MOST far-reaching reform of the U.S. financial system since the 1930s, the Depository Institutions Deregulation and Monetary Control Bill, is moving rapldly througb Congress this week.

On Tuesday the Rules Committee of the House of Representatives cleared the Bill to be sent to the floor of the House, which is expected to approve it this week.

Assuming an affirmative House vota, the Bill is expected to come before the full Senate today.

Some of the major provisions of the Bill Include the extenslon of reserve requirements to transactions accounts et all depository institutions and a major reduction ln the reserve requirements whicb large hanks who are members of the Federal Reserve must maintain with the central bank. This is aimed in part at halting the exodus of banks from the Federal Reserve system.

The Bill also proposes a major expansion of the powers of thrift institutlons—to permit them to offer consumer loans, for example—and in effect to become more like hanks.

The Bill also provides for the Federal Government to set usury ceilings in many circumstances and thus to over-ride state laws which lay down what level of interest a lender can cherge on certain types of loan.

In essence the Bill bolds out the prospect of a fundamental adjustment of the U.S. financial system, whlcb ls needed in part because of the impact of high inflation on financial institutions.

BOND DRAWINGS

ENTE NAZIONALE PER L'ENERGIA ELETTRICA (E.N.E.L.)

7½% 1971/1986 ECU 60,000,000.— Loan

- Bonds for the amount of ECU 4,100,000 have been drawn on March 12, 1980, in the presence of a Notary Public for redemption on May 1st, 1980. The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning at:

41157 up to 46401 Incl.

They are redeemable, coupon due May 1st, 1981, and following attached as from May 1st, 1980.

Amount purchased in the market: ECU 1,400,000.—
Amount unamortized: ECU 32,500,000.—
Outstanding drawn Bonds:

13234 and 13235	14785
17119 to 17128 incl.	17135 and 17135
19330 to 18382 incl.	19587 to 12589 incl.
20084 and 20085	20535 to 20537 incl.
35580	36523 to 36532 incl.
38306 and 38307	38568 to 38579 incl.
38552 to 38584 incl.	38901
39264 and 39265	39685 to 39887 incl.
39913 to 39917 incl.	39935 to 39989 incl.
39993 to 39996 incl.	40002 to 40006 incl.

Luxembourg, March 27, 1980.

THE FISCAL AGENT
KREDIETBANK
S.A. Luxembourgeoise

LEGAL NOTICE

THE COMPANIES ACTS 1948 to 1967
COUNTRYWIDE SOCIAL CLUB DISCOUNTS LIMITED

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company are required on or before the 28th day of April 1980, to send their names and addresses and the particulars of their debts or claims, and the names and addresses of their Solicitors if any, to KEITH DAVID GOODMAN, FCA of 3/4 Bentinck Street, London W1A 3BA the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are by their Solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 17th day of March 1980.
K. D. GOODMAN, Liquidator.

IN THE MATTER OF REPRODUCTION COLOUR WORLD LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of April, 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned BRIAN MILLS of BOOTH WHITE and CO., 1, Wardrobe Place, Carter Lane, London EC4, the joint Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 4th day of March, 1980.
BRIAN MILLS,
MALCOLM BARRY HARRIS,
Liquidators.

SULKIN & FALK LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a Meeting of the creditors of the above named Company will be held at the offices of LEONARD CURTIS & CO., situated at 3/4 Bentinck Street, London W1A 3BA on Wednesday the 2nd day of April 1980 at 12 o'clock midday, for the purposes provided for in Sections 294 and 295.

Dated the 14th day of March 1980
M. FALK, Director

IN THE MATTER OF OAKOATA LIMITED
AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of April, 1980, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned MALCOLM B. HARRIS FCA of HARRIS KAFTON AND CO., 28 Bolton Street, London W1Y 8HB, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 20th day of March, 1980.
MALCOLM B. HARRIS, Liquidator.

COMPANY NOTICES

INTERNATIONAL DEPOSITARY RECEIPTS (IDR)
Issued by Morgan Guaranty Trust Cy. of New York
Representing Ordinary Convertible Class C Shares of
BRASCAN LIMITED

A distribution of Can$0.30 per depositary share less any applicable taxes and fee will be payable on and after April 30, 1980 upon presentation of coupon No. 13 at any of the following offices of Morgan Guaranty Trust Cy. of New York:
— New York (USA), 30, West Broadway
— Brussels, 35, avenue des Arts
— Antwerp, 52, Frankrijklei
— London, 33, Lombard Street
— Paris, 14, Place Vendôme
— Frankfurt, Bockenheimer Landstrasse 5
— Zurich, Stockerstrasse 38
and at Banque Générale du Luxembourg, 14, rue Aldringen, Luxembourg.

PUBLIC NOTICES

INVESTIGATION BY THE MONOPOLIES AND MERGERS COMMISSION
PROPOSED ACQUISITION OF HIGHLAND DISTILLERIES CO. LTD. BY HIRAM WALKER-GOODERHAM & WORTS LIMITED

On 25 January, 1980, Mr. John Nott, Secretary of State for Trade, referred to the Monopolies and Mergers Commission for investigation and report under the provisions of Fair Trading Act, 1973, the proposed acquisition of Highland Distilleries Co. Ltd. by Hiram Walker-Gooderham & Worts Limited. The Commission is required to make its report by 24th July, 1980.

Any person or organisation wishing to give information or views on this proposed acquisition should write as soon as possible to:
The Secretary,
Monopolies & Mergers Commission,
New Court,
48, Carey Street,
London WC2A 2JT.

HERTFORDSHIRE COUNTY COUNCIL
£3m 91 day bills issued 26/3/80 due 25/6/80 @ 16⅝%. Applications £16m. No others outstanding.

Mission to 'sell' Barbados as offshore bank centre

BY TONY COZIER IN BRIDGETOWN

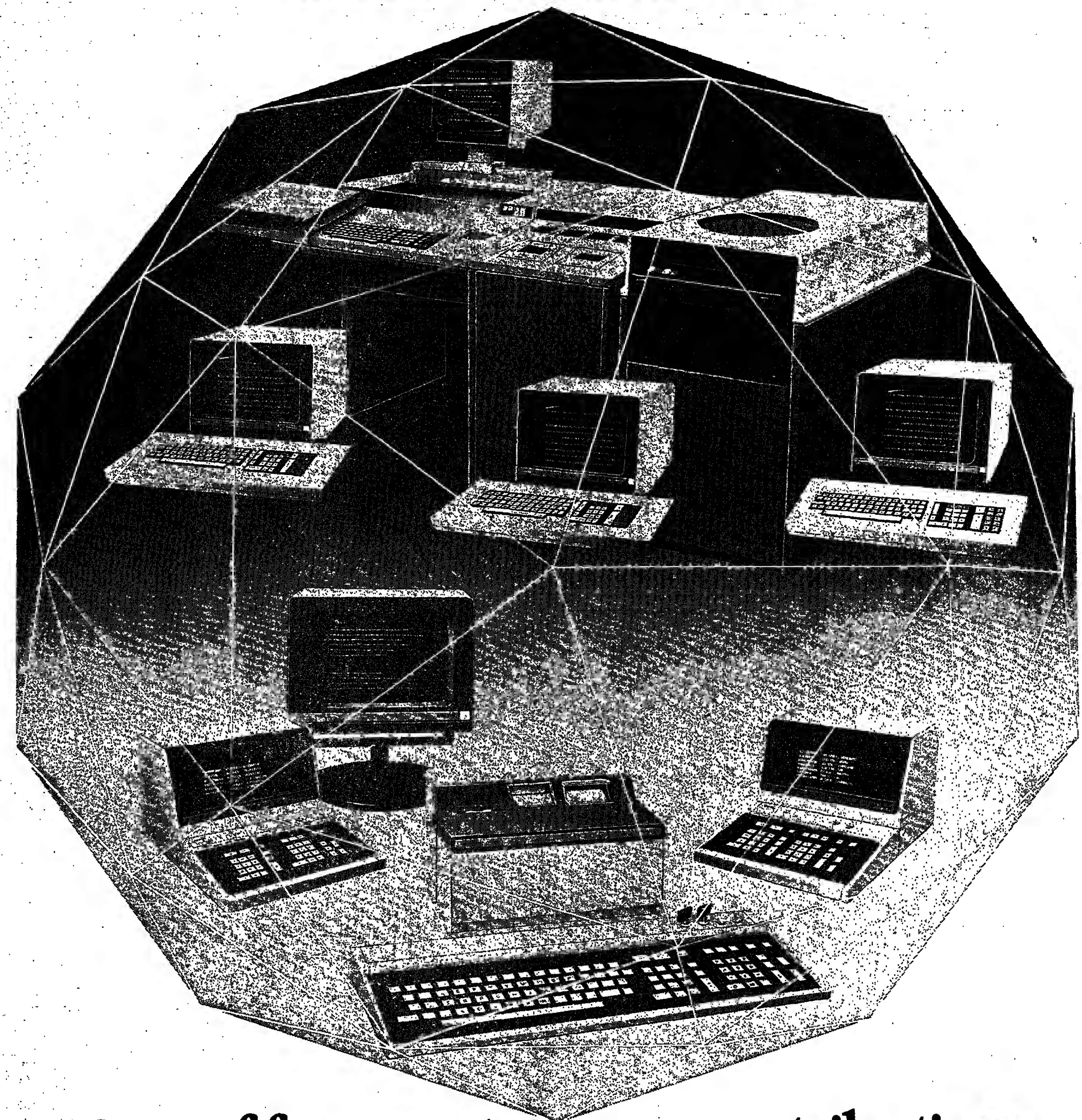
THE Prime Minister and Minister of Finance of Barbados, Mr. J. M. G. "Tom" Adams, will head a mission, beginning on April 19, to introduce his island overseas as an offshore banking centre.

The mission, consisting of Mr. Adams, Dr. Courtney Blackman, Governor of the Central Bank of Barbados, Mr. Winston Cox, deputy chief of research at the central bank, and Mrs. Yolande Bannistar, Chief Parliamentary Counsel, will visit London, Frankfurt, Toronto and New York before returning to Barbados on May 3.

The team will hold talks with officials of banks and other institutions, and also meet influential financiers, lawyers and accountants with special interest in offshore banking. Legislation has already heen passed by the Barbados Parliament, and Mr. Adams has stressed that his Government intends to attract to Barbados only legitimate institutions.

The Government expects appreciable gains in employment from the move into offshore banking.

PHILIPS DATA SYSTEMS



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PHILIPS

Simply years ahead

PHILIPS

Radar hitch in Dassault development

By Terry Dodsworth in Paris

THE NEW Dassanlt 2000 combat aircraft, designed to become the spearbead of France's aerial defence end military cxport drive in the 1980s, bas run into serious development problems on its radar systems.

These difficulties, confirmed by the French military authorities, mean that the eircraft will have to he delivered to the French air force in 1983 carrying only traditional radar devices.

The more advanced systems, *considered essential* by military experts and designed to detect low-level aircraft much more accurately than previously possible, will now not he fitted nntil 1985.

Other problems on the developmcot of the 2000, notably with its engine and certain clements of its streamlining, appear to have been overcome. Bnt there is little doubt that the delays on the radar front conld still affect the aircraft's reputation overseas and tbus exports, a field in which Dassault has hcen France's star performer in recent years.

It is partly because of the 2000's export potential, where it is designed to take over from tbe highly snccessful Mirage F1, that the French air force is to take the aircraft without the new radar systems. Foreign orders, it is felt, will be easier to win once the aircraft is seen to he flying with the French colours.

On present plens, first deliveries of the 2000 to export markets conld he made in 1984, although no orders bave yel been taken and the French are not bopeful of winning any this year.

The main possibilities appear to he in the Middle East and Latin America.

Sharp decline in Soviet deficit with West

BY DAVID SATTER IN MOSCOW

THE SOVIET UNION in 1979 significantly improved its terms of trade with the West on the strengtb of the higher world prices it charges its Western customers for oil and gas. The Soviet deficit with the West was cut to Roubles 700m (£483m) from Roubles 2.3bn (£1.59bn) in 1978.

In a report on the last set of annual trade figures to be issued before the announcement of U.S. eronomic sanctions the Soviet newspaper Ekonomicheskaya Gazeta also said that the West's share in Soviet foreign trade increased in 1979 to 32 per cent from 28 per cent in 1978.

The combination of a sharp rise in the value of Soviet exports, which sbarply reduced the Soviet deficit with the West and the increase io trade turnover with the West would have signalled good prospects for East-West trade in the 1980s were it not for the political crisis over Afghanistan.

As matters stand, however, tbcre have been reports of problems in Soviet industry because of the development of spare parts shortages for sophisticated U.S. construction and computer equipment. The new uncertainty in East-Wsst trade is also expected to complicate and slow down the formulation of the new 1981-85 Soviet five year plan.

Ekonomicheskaya Gazeta reported tbat in 1979, Soviet foreign trade overall grew 14 per cenl to reacb roubles 80.3bn compared with roubles 70.2bn in 1978. The Western share of Soviet Trade, which reached e roubles 25.7bn against roubles 19.7bn in 1978, increased at the expense of the socialist countries whose share of Soviet trade dropped to 56 per cent from 60 per cent in 1978.

The growth of Soviet trade with the West was largely the result of a sharp rise in the value of Soviet exports to the West which totalled roubles 12.5bn compared with roubles 8.7bn in 1978. More than half of the volume of Soviet exports was accounted for by deliveries of energy products.

Soviet imports of Westarn products—principally mschinery and equipment—also rose but less sharply. The newspaper reported that these imports reached Roubles 13.2bn, a 20 per cent increase over the 1978 total of Roubles 11bn. Tha deficit with the West of Roubles 700m was the lowest in at least the lsst five years.

As in past yesrs, the reduction in Soviet deficit trade with the West was backed up by large surpluses with the Socialist countries and the Third World.

UK 'fails to compete' in Eastern Europe

FINANCIAL TIMES REPORTER

A REVIEW to be published sbortly by the London Chamber of Commerce and Industry on the UK's trading performanca with East Europeen countries discloses evidence thet, in this area, *British industry is failing* to compete seriously with its main rivals.

The review sbows that in 1979 the only countries to register an increase of more than 3 or 4 per cent in UK exports, compared witb 1978, were the German Democratic Republic and Yugoslavia. However, UK imports from all countries except Bnlgaria showed an Increase, and thus the UK's deficits with the USSR, GDR and Czechoslovakia all grew while the trade surplus the UK enjoyed with Poland, Hungary, Bulgaria and Romania fell.

This depressing picture, states the Cbambar, is hardly encouraged by the fact that only a few major business projects have been won by Britisb companies in Eastern Europe io the last year. In contrast, Britain's major competitors, including West Germany, France, Italy and the U.S., managed again to outsell comfortably the UK in most of the East European merkets.

Against this background, the London Chamber is attempting to boost interest in this potentially lucrative area through a seriea of major trade promotions and conferences to take place througbout the year.

India, Russia in barter deal

By D. P. Kumar in New Delhi

INDIA WILL supply 500,000 tonnes of rice, worth about Rs 1.2bn (£67m), in exchange for Soviet crude and high speed diesel oil. The rice shipments are due to begin in June and end in December. The rice supply is intended to meet the food shortages in the Soviet Union following a bad crop this year.

Last year, India entered into a barter deal with the Soviet Union for supplying 200,000 tonnes of rice in excbange for crude.

Siemens micro plant for Hungary

BY ROGER BOYES IN BONN

SIEMENS, the West German electrical group, is to set up a joint venture with Hungary to produce electronic components —a move which should give East Europe access to mucb-needed knowbow in microelectronics.

The joint venture—Hungary is to have a 51 per cent stake—provides for the setting up of a plant in Szombatheley wbich will produce so-called passive components, that is, more basic products such as condensors rather than more sophisticated microprocessor systems. Production is due to start next year.

Althougb Siemens has besn active in Hungary since 1974, the move *represents the group's* first joint venture with Eastern Europe in this field. It follows, however, a number of other recent steps to secure direct production of electronic compooents abroad. Siemens recently set up a 50-50 joint venture with Fuji Electrics to produce components.

Part of the production from the Hungarian plant will be exported to West Garmany and part will serve Hungary'a domestic needs. But the company made it clear yesterday that a significant part of the output could also be expected to be exported to other East European countries.

Eastern Europe has generally laggad behind the West in most areas of microelectronics. One *of the problems* for the *East* Europeans has been how to accommodate in their often rather rigid industrial structures something as revolutionary as a microprocessor.

Schindler signs joint venture deal with China

By Tony Walker in Peking

SCHINDLER HOLDING, the Swiss lift manufacturer, and its Hong Kong marketing arm, Jardine Schindler, have signed what is claimed to be the first joint venture agreement in medium and heavy industry with China.

Under the terms of the agreement, China Construction Mechinery Corporation and the two foreign companies will jointly manufacture lift and escalator equipment at existing lift factories, notably at *Shanghai.*

The agreement has yet to be epproved by China's Foreign Investment Commission. However, a starting date has been set for June which suggests that approval may be given quickly. If this is the case then the agreement would be an important breakthrough.

A number of other such joint venture agreements have gone forward to the Foreign Investment Commission, but have not yet been given final clearance.

Mr. J. Parke Wright, the manager of Jardine'a Peking office, said lsst night "Things are going smoothly" and he expected the June starting date to be adhered to.

Vice Minister Xie Beiyi, member of tha State Capital Construction Commission, said that the agreement is the first of its type to be signed with a foreign manufacturer. It combines a cash investment by foreign partners with the injection of existing assets by a State Corporation. The *Vice Minister* said that he hoped that the successful conclusion of this joint-venture would encourage others considering such forms of co-operation and that more would be concluded in the near *future.*

Tbe new compeny will be known as the Chine-Schindler Elevator Company. The Chinese will provide the equivalent of $12m of the company's *registered capital* of $16m in buildings and machinery, while the foreign partners will supply $4m in casb. The board of eight directors will include six appointed by the Chinese in *accordance with their* 75 per cent shareholding.

One of the problems is thet China has yet to announce regulations governing wages and taxes in business enter*prises involving* foreign partners. The Chinese authorities have been saying for the past six months that an announcement was imminent.

According to the Chinese *announcement,* it *has* been established to increase the capacity of the Chinese lift industry, to update products and manufacturing methods to produce products suitable for domestic needs and for export to generate foreign exchange.

The new company is expected to manufscture 500 lifts a year and double its production in five years with annual output reaching 2,000 in 10 years. Most of the output will be for domestic use with about 20 per cent for export to Asian countries.

Daiei opens buying office

JAPAN'S LARGEST retail organisation, the Daiei group, specialising in women's and men's fashions, footwear, accessories and fast foods, opened a London buying office yestarday.

It plans a close relationship with UK supliers to reach its sales growth target, by developing sources of reasonably pricad good quality merchandisa from Europe's leading manufacturers, aod of new products not usually available in Japan.

Davy-led consortium in methanol plant talks with Jakarta

JAKARTA — *Pertamina* has opened negotiations with a British-led consortium on a $200m methanol plant in East Kalimantan.

The talks are expected to lead to a joint venture between the consortium of foreign investors and the Indonesian state oil company that will finance, build and operate the *planned facility.* The consortium is led by Davy McKee (oil and chemical), and includes Marubeni Corporation of Japan and Chang Chun Petrochemical of Taiwan.

The consortium *also* would market most of the planned 1,000 tons e day output to buyers in Japan and Taiwan.

The methanol project is one of four major petrochemical ventures that Indonesia intends to launcb during its current third five-year plan.

Pertamina wents tha plant in production by 1983 or 1984, and if Devy wins, against competition from France and West Germany, it will be the first major building contract for a UK concern in Indonesia.

AP-DJ

Richard Cowper in Jakarta writes: Indonesia is to start work on two new ports and modernise another at a total initial cost of nearly $61m.

In what one port construction expert described as a "gigantic effort" to bring some of Indonesia's "archaic port facilities into the 20th century" the Government bas awarded contracts for *the building* of a huge new multi-purpose port at Belawan in North Sumatra, a new fishing port in Jakarta and the upgrading of Surabayas Tanjung Perak harbour in East Java.

Contracts for the two new ports, both won by Rinkai Construction of Japan and together worth around $36.8m, cover the early stages of their construction. Total cost of both ports is likely to be well over $100m by the time they are completed.

The first contract for reclamation and clearing of land for the new port at Belawan and worth $18.8m will be financed on an eqnal share basis by the Indonesian and West German governments.

Rinkai bas also won the contract *for the dredging,* land clearance and wharf construction of the new Jakarta fishing port. Worth around $18m the contract will be jointly financed by Japan's Overseas Economic co-operation *Fund* and the Indonesian Government, with both sides contributing approximately equal shares.

Indo-British plan for Calcutta

BY P. C. MAHANTI IN CALCUTTA

AN INDO-BRITISH venture, Nicco Furmanite, is being set up in Calcutta to provide services and equipment for process industries.

The new joint venture company will comprise National Insulated Cable of Calcutta and the British engineering concern, Furmanite International. It will initially establish a chain of service centres beginning with Calcntta and Bombay to undertake repair and maintenance work for process industries such as power, chemicals, fertilisers and oil refining.

Nicco Furmanite plans to follow this up by setting np a manufacturing plant at Calcutta in a few years.

National Insulated Cable will have the majority holding of 64 per cent in the new venture and will be responsible for managing the operation. The British partner will provide the technical knowhow and hold the remaining 36 per cent of the equity.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial prodnction, manufacturing output (1975=100); engineering orders (1975=100); retail sales volume (1976=100), retail sales value (1976=100); registered unemployment (exclnding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail valua	Unemployed	Vacs.
1978							
4th qtr.	110.3	103.1	109	101.7	132.3	1,340	230
1979							
1st qtr.	110.2	102.8	98	100.7	134.0	1,351	234
2nd qtr.	114.9	107.1	106	106.2	144.8	1,299	256
3rd qtr.	113.3	103.2	99	99.5	144.6	1,269	247
4th qtr.	113.1	104.1	106	101.7	151.9	1,286	230
Oct.	112.1	102.8	101	100.8	149.1	1,282	237
Nov.	114.6	105.8	114	102.5	153.2	1,282	234
Dec.	112.5	103.8	103	101.7	153.1	1,294	219
1980							
Jan.	112.2	102.9		102.8	155.1	1,339	207
Fab.				104.0		1,414	181
March						1,414	181

OUTPUT—By market sector; consumer goods, investment goods, intermadiate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1975=100); *housing starts (000s, monthly average).*

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1978							
4th qtr.	105.8	97.2	124.0	96.9	99.5	102.2	20.3
1979							
1st qtr.	106.0	99.3	127.2	98.9	99.6	100.1	12.9
2nd qtr.	108.8	103.0	132.8	102.7	108.2	103.1	21.3
3rd qtr.	105.6	95.9	132.7	94.9	105.4	100.6	21.0
4th qtr.	105.1	101.2	130.1	99.4	99.2	96.2	18.1
Sept.	104.0	92.0	131.0	90.0	106.0	102.0	22.2
Oct.	104.0	98.0	130.0	96.0	100.0	97.0	20.5
Nov.	107.0	103.0	132.0	101.0	101.0	98.0	19.2
Dec.	105.0	103.0	128.0	101.0	97.0	93.0	14.6
1980							
Jan.	107.0	103.0	127.0	102.0	61.0	98.0	13.1

EXTERNAL TRADE—Indices of export and import volums (1975=100); *visible balance;* current balance (£m); *oil balance* (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balanca	Current balance	Oil balance	Terms trade	Resv. US$bn*
1978							
4th qtr.	122.5	112.9	−206	+534	−458	106.5	15.77
1979							
1st qtr.	109.0	116.9	−1,588	−1,215	−235	107.0	16.78
2nd qtr.	135.3	128.9	−486	−310	−229	106.4	21.69
3rd qtr.	129.8	128.1	−493	−238	−158	106.8	23.18
4th qtr.	129.3	128.9	−745	−674	−157	103.7	22.54
Oct.	124.7	129.7	−418	−394	− 96	104.4	22.49
Nov.	131.8	125.8	− 75	− 51	+ 27	104.1	22.42
Dec.	131.3	131.2	−252	−229	− 88	102.6	22.72
1980							
Jan.	129.9	128.3	−321	−271	− 74	100.9	23.71
Feb.	136.8	129.1	−226	−176	− 52	100.6	23.93

FINANCIAL—Money *supply* M1 *and sterling M3,* bank *advances* in sterling to the private sector (three months' growth at annual rate); domastic credit expansion (£m); building societies' net inflow; HP, new credit; all seasonally adjusted. Minimum leoding rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending	MLR %
1978							
4th qtr.	14.9	11.9	8.6	+1,774	878	1,584	12½
1979							
1st qtr.	7.6	9.3	32.6	+1,525	777	1,581	13
2nd qtr.	9.7	17.2	28.5	+2,707	777	1,867	14
3rd qtr.	15.5	10.2	13.2	+2,409	933	1,879	14
4th qtr.	5.1	12.6	16.2	+2,891	839	1,954	17
Oct.	15.5	15.2	14.6	+1,547	544	663	14
Nov.	6.5	13.3	19.1	+1,094	134	698	17
Dec.	5.1	12.6	16.2	+ 250	161	593	17
1980							
Jan.	− 8.1	8.7	22.6	+ 792	235	671	17
Fab.	− 6.4	10.0	20.7	+ 495	199		17

INFLATION—Indices of earnings (Jan. 1976=100); basic materials and fuels, wholesale prices of manufactured prodocts (1975=100); retail *prices* and food prices (1974=100); FT commodity index (July 1952=100); trade weighted valus *of* sterling (Dec. 1971=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1978							
4th qtr.	136.4	147.1	157.3	202.6	208.0	257.69	62.7
1979							
1st qtr.	144.2	153.4	161.6	208.9	218.8	268.88	64.0
2nd qtr.	147.3	163.3	168.0	216.5	225.2	293.55	67.4
3rd qtr.	154.2	169.9	176.4	231.1	231.9	301.66	71.0
4th qtr.	161.7	183.9	181.8	237.6	237.2	295.13	68.8
Sept.	153.6	172.5	178.3	233.2	232.6	301.66	69.8
Oct.	158.1	178.1	180.3	235.6	234.8	291.34	68.4
Nov.	162.1	186.0	181.6	237.7	237.0	297.22	68.4
Dec.	165.1	187.5	183.4	239.4	239.9	295.13	69.7
1980							
Jan.	162.6	193.4	188.5	245.3	244.8	308.69	71.4
Feb.		197.2	191.1	248.8	246.7	304.27	73.2

* Not seasonally adjusted.

TRAVEL TO THE CONTINENT CHANGES STYLE

British Rail to scrap night train to Paris

BY LYNTON McLAIN

BRITISH RAIL is to scrap its half-century-old night train-ferry service from London to Paris and Brussels.

The rail unions have not yet been consulted about the planned closure. But British Rail said yesterday it was definitely proposing to end the service at the end of October because of mounting losses.

The British Railways Board said the service had not been profitable since the 1950s.

The relatively cheap first-class sleeper ticket price of £128.90 for a return from Victoria Station, London, to Paris had apparently done little to encourage a sufficient number of people to wallow in 1930s nostalgia to make the service viable.

The current British Airways first-class return air fare from London to Paris is £142. But the airline is to scrap first class in Europe from Tuesday and will offer cheaper "club class" tickets at £110 return—seriously undermining the night train-ferry price.

The sleeper service lost £120,000 last year, but apart from this financial burden—shared between British Rail and the French and Belgian Rail systems—the carriages, which were built in the 1930s, need refurbishing.

Each carriage would cost about £80,000 to replace and it is estimated that at least 48,000 passengers a year would be needed to make this size of investment viable.

The sleeping carriages—now all first class—were originally owned by the French Wagon Lits company, although they were built in Britain. They would have been withdrawn anyway if a Channel Tunnel was built.

The sleeper service—based on a departure just before midnight, to arrive in Paris in time for breakfast—was started in 1936, after earlier proposals to build a Channel Tunnel were scrapped.

Jetfoils for Belgian Channel route

BY WILLIAM HALL, SHIPPING CORRESPONDENT

REGIE Voor Maritiem Transport (RMT), Belgium's state-owned ferry company, is investing $27.6m (£12.6m) in two Boeing Jetfoils for its Dover-Ostend sea route. The new hydrofoils will come into service in May 1981, operating from specially built terminals.

RMT is the latest in a growing number of ferry operators investing in hydrofoils. P & O Ferries started operating two Boeing jetfoils between London and Ostend at the end of February. B & I lines, the Irish ferry company, will start a hydrofoil service between Dublin and Liverpool on April 25. Seajet has been operating a hydrofoil on the Brighton-Dieppe route for almost a year.

RMT's hydrofoils will carry 316 passengers and will make the crossing in an hour and 40 minutes, against 3½ hours for conventional ferries.

The hydrofoils will make six round trips a day in summer and three during the rest of the year. RMT operates nine conventional ferries on the Dover-Ostend service and will withdraw one of its older passenger-only ferries, the Reine Astride, when the hydrofoils begin service.

At present 2.7m passengers cross between Dover and Ostend and another 1.1m travel on the slightly longer route between Dover and Zeebrugge, operated by Townsend Thoresen Ferries. The two new jetfoils will have an annual carrying capacity of 850,000.

M. Muyldermans, the general manager of RMT, said his company had chosen hydrofoils instead of hovercraft because of their greater comfort. They will travel at 50 mph and can operate in virtually all weather.

Details of the 1981 prices have not been settled but M. Muyldermans hopes to keep the single fare below BFr 1,000 (£14.70) and charge about 40 per cent above conventional ferry tariffs.

The new service will run from alongside Ostend railway station and will connect with the UK railway system, giving a London-Ostend journey time of about 3½ hours. This is the same as the P & O hydrofoil service. P & O single summer fare is £36, so the new service looks much cheaper.

Request to cut flights

By Michael Donne, Aerospace Correspondent

A DISPUTE between the UK and Lebanon has occurred over a request by the Department of Trade that Middle East Airlines, the Lebanese flag airline, should reduce the number of its flights between London and Beirut from seven to four a week.

The Department of Trade bases its request on the claim that the route has too much capacity, with British Airways flying it three times a week, and that there is insufficient traffic to justify the present level of service.

Middle East Airlines has reacted sharply to the UK request, which it regards as contrary to the policy of liberalisation of air services. It also feels it goes against the interests of passengers.

The airline says its daily service is of great assistance to British exporters and companies working in the Middle East.

Aviation sources have suggested that the UK action is in retaliation for Lebanon withdrawing permission for Concorde to fly across its territory supersonically, following reports of structural damage to buildings.

The Department of Trade rejects this argument, however, while Middle East Airlines has said it does not believe the problem of route rights is linked with the Concorde situation.

ANGLO-FRENCH RIVALRY EXPECTED TO RECUR

Pulling the plugs for Viewdata

BY GUY DE JONQUIERES

BRITAIN AND France are quarrelling about technology supposed to make communications easier. Rivalry over their respective viewdata systems, which enable computer-stored information to be transmitted by telephone lines and displayed on TV screens, is a major source of discord.

This week the latest argument erupted when the Post Office baulked at furnishing telephone connections for French equipment displayed at the international viewdata exhibition, Wembley.

Last summer, the French were blamed for unhooking lines when the Post Office's viewdata service, Prestel, was about to be demonstrated in Paris.

The Post Office insists the Wembley antics were more than a mere tit for tat. It has been seeking, so far in vain, a reciprocal agreement by which Britain and France would allow each other's systems unimpeded access to their national markets. More specifically, it wants permission for a 12-month trial of Prestel among selected French viewers.

The sides have reached a make-shift compromise: the Post Office plugged in France's exhibit in return for a limited agreement that each country would allow the other's system to be exhibited at a wider range of exhibitions in future.

There was a vague promise to discuss collaboration in marketing the business version of Prestel in France.

But it would be rash to assume tensions will not resurface. Wherever Britain and France compete these days, nationalist strains are near the surface, and few organisations are more prone to nationalism than European PTT (post office) administrations.

But difficulties between the two countries' telephone authorities go some way back. About five years ago Plessey and CIT-Alcatel, the French telecommunications company, agreed to develop jointly a range of highly advanced digital telephone exchanges. Unhappily code-named Félicité, they were to use Plessey processors and CIT switching technology, in the hope of gaining a world lead in digital telecommunications.

But the scheme was abandoned after the Post Office withheld support. Neither country, it appeared, would accept a system not wholly home-grown. So Plessey collaborated on System X, the new generation of British exchanges, and CIT developed its successful E-10 digital switching equipment.

The companies have held talks since, notably about co-operation in military electronics and office systems. CIT, which recently agreed to buy Roneo Vickers' business machine operations, claims to see Britain as a major potential partner in development of electronics technology in several key areas.

But indications are that French authorities regard such collaboration as a one-way street. Only a day after CIT's bid for Roneo was announced, Thorn Electrical dropped its 9-month-old bid for Locatel, the largest French TV rental chain, because of political obstruction in Paris.

Ironically, after prodding from the French Government, Locatel is to be taken over by CIT and Thomson, another large French electrical manufacturer.

Thorn's bid apparently aroused Gallic sensitivity on two counts. The French PTT was concerned that foreign ownership of Locatel would obstruct its plans to build up a large domestic audience for its viewdata system.

There were suggestions it could be used to sneak Prestel—generally acknowledged to have a lead of more than two years over the French system—into France via the back door.

Viewdata is only one aspect of an ambitious programme to modernise France's internal communications network at a cost of more than £10bn.

For as well as installing the latest digital exchanges, a packet switching network, and a nationwide facsimile transmission system, the aim is to replace printed telephone directories with a computerised data bank. Every telephone subscribe rin France will be linked to the computer through a terminal supplied free by the PTT.

The possibility of Locatel falling into foreign hands was also seen as a threat to a separate, Government-supported, strategy aimed at building the French television industry into an international force.

Thorn had already committed itself not to import TV sets into France for rental by Locatel, but even this undertaking was not considered a sufficient safeguard by the Ministry of Industry in Paris.

The French TV market has been relatively immune from import penetration, partly because few overseas manufacturers have found it worthwhile making sets to the SECAM colour systems, unique to France.

Paris believes that if France's TV industry is to prosper long-term it must enlarge its base. So, over the past two years Thomson, the biggest French-owned manufacturer, has been encouraged to embark on the acquisition trail.

About two years ago it acquired Nordmende, one of several German companies in financial difficulties. Last year, the tube operations of the ailing AEG-Telefunken were taken over by Vidéocolor, jointly owned by Thomson and RCA of the U.S. This week, Thomson made an offer for SABA, the German TV subsidiary of the U.S. company General Telephone and Electronics.

More may be on the way. Thomson has discussed a takeover of the rest of Telefunken's TV operations and of International Telephone and Telegraph's French TV subsidiary ITT-Oceanic. It is interested in Decca's TV plants in the UK.

Vickers defence division to lay off 350

BY MICHAEL DONNE, DEFENCE CORRESPONDENT

VICKERS' defence systems division at Elswick, Newcastle-upon-Tyne is to lay off 350 workers, and the factory will continue on short-time working for six months from May. Falling orders, mainly because of Iranian cancellations for Chieftain tanks, have caused the cutbacks.

Vickers said formal notices to the 350 would be given at the Elswick works on May 12. If suitable work can be found by the end of the 90-day notice period, the position would be reviewed. The Elswick works employs about 1,500.

Vickers said: "For some months the division has accepted a shortage of work in the hope of an improvement, but it has become clear that steps must be taken to alleviate the position."

The redundancies would not affect the other two divisions at Elswick, working on non-ferrous metals and pressings, which both have good order books.

Boost for Block 16/21

By Ray Dafter, Energy Editor

THE oil reservoir in block 16/21 in the UK North Sea sector appears capable of commercial development, according to Hampton Gold Mining Areas. It has 5 per cent in the concession north-east of Aberdeen.

The latest well, completed last month, identified deeper and separate accumulation of oil, adding substantially to reserves, Hampton said yesterday.

Industry estimates suggest identifiable recoverable reserves could be about 50m barrels.

Public nuclear reactor inquiry 'cannot be held until 1982'

BY DAVID FISHLOCK, SCIENCE EDITOR

THERE can be no public inquiry into plans for Britain's first pressurised water reactor before 1982, a Parliamentary select committee was told yesterday by the Government's chief nuclear inspector.

But the Nuclear Installations Inspectorate (NII) will publish its own analysis of the safety case for the "British PWR" submitted by the generating boards, the Select Committee on Energy heard.

Mr. John Dunster, director of nuclear safety, told MPs it was "exceedingly unlikely" that the nuclear inspectors would be able to produce this analysis in much less than two years.

The Government's programme calling for construction to start in 1982 had made sense when announced in December. But the Central Electricity Generating Board was still unable to tell the nuclear inspectors when they could expect more details.

This is because the CEGB has prevented its designers, the Nuclear Power Company, from signing a licence agreement with Westinghouse, pending the reorganisation of the nuclear company promised.

It was strongly denied that a shortage of nuclear inspectors was holding up the nuclear programme. Although the NII was about 18 per cent short of staff, partly because of inadequate salaries, it could cope with current demands, said Mr. Dunster.

Asked if he would expect his workload to diminish with subsequent PWRs, Mr. Ronald Gausden, chief nuclear inspector, reminded the committee of Britain's experience with its advanced gas-cooled reactor (AGR) stations, in which each of the five had been virtually a prototype.

£3.4m for pictures

SOTHEBY'S Budget Day auction of Impressionist and modern pictures realised £3,438,800.

Top price was the £380,000 (plus the 11.5 per cent buyer's premium and VAT) for a Gauguin portrait of a guitar player, painted on his first visit to Tahiti about 1892. It was the property of the late Oscar Homolka, the Russian actor. A Monet, Vase de Pivoines painted in 1882, went for £280,000 and a Corot's "Jeune femme dans le Bois" for £150,000.

Other good prices were the £140,000 for a Chagall, £130,000 for another Monet, £125,000 for a Sisley, and £120,000, a record, for an Ensor.

UK NEWS

Fibres sector may hit ICI petrochemicals

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE PROFITS of Imperial Chemical Industries' petrochemicals business could be seriously affected by the poor performance of the group's fibres' sector, Dr. Rab Telfer, chairman of petrochemicals division, bas warned.

Dr. Telfer told a divisional meeting of staff that the "financial problems of fibres division could very easily become the problems of petrochemicals division." He said the future of a number of petrochemicals division works—including those at North Tees and the nylon works at Wilton and Ardeer—depended "almost entirely on fibres' viability."

Large parts of petrochemicals' division's services works and olefins works were equally dependent on the performance of fibres division but staff "often failed to appreciate this." Last year, fibres division had been the petrochemicals sector's biggest single customer and had accounted for 25 per cent of total sales.

Dr. Telfer said constant attack on costs—including manpower costs—was absolutely vital if petrocbemicals division were to survive. Works managers bad heen asked to take whatever measures necessary. Dr. Telfer set an example by refusing to replace two divisional hoard members who left.

Last year ICI's fibres division abowed a trading loss of £33m as compared to a loss of only £13m in 1978. One of the main reasons was import growth, particularly from the US, of finished fabrics and garments.

ICI has intensified its drive to bring manpower productivity in its fibres sector into line with what it calls "international standarda." A sum of £9m out of last year's total trading loss has been set aside for redundancy payments.

Dr. Telfer spoke of the "damaging effects" of fibres imports from the U.S. end said these were expected to continue this year "despite measures aimed at ameliorating" the problem.

The general difficulties likely to face ICI's petrochemicals division this year would be much the aame as in 1979.

There was also the prospect of little increase in volume sales, following the delayed arrival of a recession.

Last year petrochemicals contributed more tn ICI's group sales than any other division with £1.078bn. The business turned in a trading profit of £98m.

Labour to discuss economy

By Elinor Goodman

THE LABOUR PARTY will hold a special one-day national conference to protest against the Government's ecooomic policies and draw up an alternative strategy of its own.

Judging hy the discussion at yesterday's meeting of the national executive, the party coold come nuder strong pressure from its rank and file to take a much tongher line on import controls.

The conference will be the first national meeting of its kind for five years, and will have the same powers to infinence party policy as Labour's annual conference.

It represents the latest attempt by the unions to step up their fight against the Government. The idea was put forward by the Transport and General Workers' Union and was eventually approved unanimously yesterday by Labour's executive.

Angry

The conference will be asked to approve a statement on industrial and economic policy prepared by the national executive.

Yesterday, after a sometimes angry debate, it was agreed that a motion demanding the imposition of eelective import controls on foreign cars be referred back to the home affairs committee. The motion proposed that foreign cars containing less than 40 per cent of British-made components sbould be banned from the Britisb market.

Mr. Les Huckfield, who moved an amendment which would have atopped foreign cars not assembled in Britain being sold bere after 1982, described the decision to refer the motion hack as a "slap in the fece for the lads in the motor industry."

At yesterday's meeting, Mr. James Callaghan, the party leader, also raised the question of Trotskyite infiltration of the party. He was told that the committee would he considering the whole question of groups within the party as a result of a motion passed at the last executive meeting.

Steel output 'will not hit target'

BY ROY HODSON

THE SCRAP steel Industry is forecasting thet steel production in the 12 months after the current strike will fall below even the reduced target of 15m tonoes a year set hy the British Steel Corporation.

Mr. Roy Boast, director of the British Scrap Federation, said yesterday: "We are very coocerned about tbe future level of bulk steelmaking."

Mr. Gordon Cookson of the Yorkshire Scrap Association said be did not helieve BSC would achieve anything like the 15m tonnes, and would be more likely to make about 12.5m tonnes. The corporation's output last year was over 16m tonnes.

The scrap industry'e view of future iron and steel production is supported to some extent by the British Iron and Steel Consumers Council, which is concerned thet tbe high level of imports bought by British steel users in the first three months of 1980 will continue after the strike.

"Customers are attracted by the quality and price of some imported steel and are finding that the importing procedure is not unduly onerous," said Mr. John Safford, director of the council.

The iron and steel scrap industry in Britain handles 10m tonnes of scrap, worth about £500m, each yeer. Traders expect a greater proportion will have to be sold overseas.

The Government is expected to continue to allow the free export of ferrous scrap to non-EEC nations in the 12 montha after the end of the strike.

Some traders are seeking Government permission for a move to open a new trade with Cbina. Mr. Tony Bird, president of the British Scrap Federation, is leading a consortium which wants to export 25,000-tonne shiploads of British scrap for Chinese mills.

British steelmakers have previously been reluctant to see British acrap freely traded overseas, saying that it is e recirculating source of raw material for the bome industry.

The scrap traders feel that stance cannot be maintained now that the total output of the British steel industry promises to be several million tonnes below the original forecasts for the early 1980s.

A surplus of scrap is almost certain to occur among the British reclamation and trading companies in coming months. Emphasising the need for new outlets to be found, Mr. Bird said: "What is the use of storing up mountains of rusting scrap in Britain which is not wanted."

The scrap trade's position will deteriorate further if, after the strike, BSC decides to put its Hunterston DR (directly reduced) ore material plant into production.

The plant, huilt a year ago, will use the ore as a direct competitor to steel scrap for charging electric furnaces.

'Deadline' for committee stage of Local Government Bill

BY ROBIN PAULEY

THE GOVERNMENT has apparently decided on tbe end of May as the deadline for completion of the protracted committee stage of the controversial Local Government and Land Bill.

The Opposition has been pressing for some time for the announcement of a timetable, but Mr. Tom King, Local Government Minister, bas always refused.

It is understood that the Government has decided that if the Bill has not completed its committee stage before June it will have to be guillotined, although no formal announcement has been made.

The timing could turn out to be an astute move by the Government and could leave the Opposition in an embarrassing position.

Until the controversial section on new rate support grant proposals was reached the Bill made rapid progress.

It bas almost come to a standstill as protracted arguments continue about the clausea concerning block grant, whicb the Opposition and local authority associations see aa a threat to local autonomy and a change in the constitutional relationship between local and central government.

But once this part of the Bill has been completed the rest is expected to pass quite easily until the plans to establiah urban development corporatinns in the London and Liverpool docklands are reached. There is a limit to the delay that those sections can cause.

The committee is sitting in four sessions a week, compared with the initial two, and the Bill seems to have a good chance of being completed by the end of May. If it is, it will disprove the Opposition's claim that important legislation is being rushed through without enough time for considered debate.

One of the Opposition's most useful members in the committee is Mr. Robert Cant, MP for Stoke on Trent, who combines a considerable knowledge of local government with an inexhaustible ability to speek at great length on any and every clause and amendment.

But it is doubtful whether be alone can use up enough time to prevent the completion of the 149-clause Bill befnre June.

When the Bill has completed the committee stage it goes back to the Commons for report and third reading before going to the Lords. It is bere where some hitter opposition is expected, not least from some Tory peers with strong local government backgrounds.

Profits of Midlands companies 'irretrievably damaged'

BY LORNE BARLING

MANY PRIVATE steel companies in the Midlands believe profits for this year have been irretrievably damaged by stoppagea and strikes related to the Britisb Steel Corporation dispute.

Although most of the 23 companies which are members of the Midlands Iroo and Steel Wages Boerd are now operating fairly normally, they bave experienced atoppages averaging five to six weeks and some are still barassed by picketing, blacking of vehicles, and refusal to bandle steel from certain sources.

The BSC strike bas also led to e failure by the Weges Board, a normally successful negotiating body, to reach agreement on pay. A 13 per cent offer by the companies was turned down more than six weeks ago, and no formal talks have taken place since.

The offer was made et the end of January in the expectation that striking workers would return, in compliance with the Court of Appeal's ruling that the strike sbould not be extended to the private sector.

Although the men did generally return to work, they were called out again two deys later by the Iron and Steel Trades Confederation (ISTC), after the House of Lords reversed the ruling.

Mr. Alan Philpott, secretary of the Wages Board, said yesterday there was now a "semblance of order" within the industry, and a slow return to work at most companies.

But, while picketing and nther industrial action continued, the employers could not return to the talks, which it bad been boped would be resumed next week. He said the board's constitution expressly forbade negotiating under duress.

Management believes most workers were unwilling to strike a second time and, once they bad sbown solidarity with BSC workers and obeyed their union instruction, they then felt enough loyalty to their companies to return to work.

There were also fears, Mr. Philpott suggested, about the ability of some companies to survive further strikes, and to regain their position in the UK market after a flood of imports.

Although their markets for special steels are regarded as fairly secure, both at home and abroad, competition nn other grades from developing countries is likely to be a serious problem. In this sector, some export markets must now be regarded as lost.

"We are reviewing the position all the time, to see if we can get talks started again. There is a fair degree of normal working, but the position keeps shifting all the time. While people are on strike, there is no question of discussions," said Mr. Philpott.

He accepts that the 13 per eent offer, now seen in the light of nearly 20 per cent inflation, is looking less attractive than before, and says the longer the talks are delayed the more difficult it will he to reacb a settlement, since member companies see losses looming.

Like the employers, the ISTC is in favour of resuming talks.

Concern on holding of pickets

TWELVE steel pickets at the port of Ipswich—described by a regional strike leader as "the nne gaping hole in the dyke as far as our blockade of British ports is concerned"—were arrested hy the police on Tuesday night and held in custody for 18 hours before being released yesterday.

Eight were released "pending further inquiries" and four were bailed to appear in court next month to face allegations of criminal damage and being equipped to commit criminal damage. They had been arrested after the windscreen of a lorry cah was smashed.

Mr. Brian Connolly, Iron and Steel Trades' Confederation co-ordinator for the strike over a region stretching from the East coast to Southampton, hurried to Ipswich from London when be beard of the trouble.

The incident happened at the West Bank container terminal in the port, where steel is believed to be flowing through regularly and easily into Britain.

Mr. Connolly said the situation in Ipswich was receiving national attention by the ISTC. He was having top-level talks with the Transport and General Workers' Union national co-ordinator, Mr. Ron Todd, to try to get the local men to respect the steel embargo.

BSC starts redundancy payments at Shotton

BY ROBIN REEVES, WELSH CORRESPONDENT

THE British Steel Corporatioe yesterday hegan paying out cheques averaging £7,500 to redundant steelworkers at its Shotton Works, North Weles, where iron and steel making is heing ended with 6,420 redundancies.

In the next three days, 3,150 employees will receive severance payments which represent about 80 per cent of the money due to them, under the record £65m redundancy package negotieted just hefore Christmas for early closure. A further 3,000 staff will receive cbeques next week.

The original timetable for the Shotton rundown has been interrupted by the national steel strike. But the wages and computer staff were given special dispensation hy their union to return to work three weeks ago to update the payroll

BSC has issued a leaflet to coincide with tbe payments, urging those made rednndant to put their cbeques streight in a hank to pay off short-term debts, and keep only a small amount in current account.

Guernsey bank deposits £1bn

THE FINANCE industry has become essential to Guernsey's economy, Mr. Alan Grut, president of the island's advisory and finance committee, told local MPs yesterday.

He was presenting the island's latest economic report which shows that hank deposits rose hy about 25 per cent during 1979 to £1bn end that profits of the 43 deposit-taking institutions exceeded £13m.

APPOINTMENTS

British Airways Board post for Sir Leo Pliatzky

The Secretary for Trade bas appointed Sir Leo Pliatzky as a part-time member of the board of BRITISH AIRWAYS from April 1, effective until November 30 to be in line with appointments of the other part-time members. After holding the post of Second Permanent Secretary in the Treasury, Sir Leo was Permanent Secretary at the Department of Trade until reaching the retirement age of 60 last year. He was responsible for the preliminary work leading up to the Civil Aviation Bill.

*

Mr. Peter McGrath is to join the board of CONCORD ROTAFLEX as group managing director from the beginning of April. Mr. McGrath was previously chairman and managing director of BL Componeots having been managing director of BL International. Mr. John Robb, a director of Concord Rotaflex, is to undertake the resbaping of the group's German intereats and also be responsible for Belco, a member company. Dr. John Paxton, chairman of Linolite, a subsidiary of Concord Rotaflex, bas been made a non-executive director of the parent concern.

*

PAULS AND WHITES FOODS has appointed, with effect from April 1, Mr. Jenathan Paul, regional director eastern region; Mr. Laurie Wood, director and general manager Eaat Anglian area; and Mr. Michael Heath, general manager Faversham area.

*

Mr. Samnel J. Lanzafame bas been appointed managing director of ONEIDA SILVERSMITHS, a hranch of Oneida Ltd., of the U.S.

*

Mr. Gordon Morrison, chairman of Barr and Stroud, has also heen appointed chairman of PILKINGTON PE. Both companies are members of the Pilkington Optical Division.

*

Mr. Harvey Dengray retires from the board of CENTURY OILS GROUP on March 31.

*

BAIN DAWES states that from March 31 Mr. Panl Watson is to retire at his own request from executive duty, but retains his hoard appointments. Mr. Brien Marsh will become cbairman of a new UK division, with an executive committee of four managing directors: Mr. David Rose, North; Mr. Teny Steven, Midlands; Mr. Jonathan Morley Cooper, West; Mr. Terence Goulder, South and London.

*

Mr. John Simms bas heen appointed managing director of BASS IRELAND, an operating company of Bass UK, from April 6. Since 1976 he has been group commercial accounting of Bass Limited.

*

Mr. Harry C. Hogger, senior partner of SPENCER THORNTON AND CO., stockbrokers, retires from the partnersbip on April 11. He will remain with the firm as an associated member. Mr. Derek S. Ridont will become senior partner on April 12, and at the same time Mr. George F. Barker will be joining the partnership.

*

Mr. B. R. L. Holmes is to resign as a director and chief general manager of the GRESHAM LIFE ASSURANCE SOCIETY to become a director and chief general manager of PROVINCIAL BUILDING SOCIETY on May 1. Mr. J. S. Leighton, actuary of Cresbam Life, bas been appointed chief executive of that society from April 1.

*

Mr. Julian Langinger bas heen appointed a director of GALLIC SHIPPING.

UK NEWS – LABOUR

Clerical staff more militant

BY PHILIP BASSETT, LABOUR STAFF

WHITE 'COLLAR workers' increasing readiness to take strike action is demonstrated in a survey carried out by the Department of Employment comparing the level of strike activity between different occupational groups.

The results of the survey, published yesterday in the Department of Employment Gazette, also show that white-collar workers' strikes are much more likely to be declared official by their unions than are manual workers' stoppages.

The survey claims that an analysis of strikers' occupations may be significant in understanding industrial relations issues. The survey examines both the frequency (number of strikes per 100,000 employees) and incidence (number of working days lost per 1,000 employees) of stoppages by occupational groups.

Metal and electrical, construction and mining and transport operating groups had the highest rate for both frequency and incidence.

Clerical and related staff showed an annual average loss of 224.7 working days per 1,000 employees over the period of the survey from 1966 to 1973. This is markedly lower than the 1,424.2 lost in construction and mining and the 369.6 in transport operating, but higher than the other major category of metal and electrical workers who lost 183.3 days.

The study shows, too, that managerial, professional, scientific, technological and clerical strikes—all involving white-collar workers—are much more likely to be made official. Over the study period, 23.3 per cent of literary stoppages—mainly involving journalists—20 per cent of professional stoppages and 19.3 per cent of clerical stoppages were made official. This compares with 3.5 per cent in metal, 2.6 per cent in transport and 0.3 per cent in construction and mining.

The increasing level of white-collar trade unionism and white-collar problems of union recognition is reflected in the causes of the stoppages. Apart from pay, trade union matters are the major cause for white-collar staff, who head the list on the issue with 19.1 per cent of their stoppages.

The survey puts forward that women workers are less strike-prone, that strike activity is proportional to the extent of collective bargaining arrangements, and that labour turnover is a form of industrial conflict additional to collective strike action.

Steel strike has cost 5.5m working days

BY OUR LABOUR STAFF

THE STEEL STRIKE caused the loss of more than 3m working days last month, according to figures released yesterday by the Department of Employment. This brings the number of days lost in the strike to more than 5.5m.

The number of working days lost last month rose nearly 18 per cent from 2,717,000 in January to 3,202,000 last month. Steel continued to account for about 94 per cent of the total, though, which indicates that the underlying level of strike activity continued the slight rise shown in January.

The underlying level is still comparatively low, though, with the only stoppages other than steel being listed as a six-week strike at a Glasgow typewriter factory and a two-week strike by London dockers.

The department's gazette showed 145,500 workers have been involved in the steel strike in the first two months since it began on January 2.

The department said the numbers of workers laid off at plants and sites where others were on strike totalled about 11,000 in February.

It confirmed claims that the strike was not having the effect steel union officials thought it might by saying the number of workers laid off elsewhere due to the indirect effects of the steel strike were thought, on limited sample information, to have been small at the end of the month.

● The department also reported that it seems as though the upward trend in employment in the three years to mid-1979 has ended.

The numbers of employees in employment in industries covered by the index of production industries, seasonally adjusted, shows a steady fall from October to January of 8,935,000; 8,900,000; 8,869,000; and 8,826,000.

The department said a substantial fall — possibly more than 50,000—is expected in the December, 1979 estimate of employment.

Manufacturing employment has been falling faster in recent months. The department puts this down only in part to uncertainties arising from the steel and engineering industry disputes.

Squeeze on pay differentials 'did not damage motivation'

BY NICK GARNETT, LABOUR STAFF

THE SQUEEZE on wage differentials in the years of pay policy under the last Labour Government did not have the damaging effect on motivation and industrial operations claimed by companies and some unions, according to a report by the Policy Studies Institute.

The report, based on studies of a range of companies, says the erosion of differentials did not lead to any general decline in performance by managers or skilled workers.

It was a cause for considerable dissatisfaction, but in this it was far outweighed by other factors, particularly the misuse of manpower through poor management, and trade union obstruction to promotion of craft workers into more technical and supervisory jobs.

The report by the institute, a privately funded research body, says the principal cause of dissatisfaction among experienced managers was lack of opportunity and lack of promotion according to ability. This was particularly noticeable in the public sector and in large private companies.

Job insecurity, limited promotion opportunities and mismatches between jobs, training and ability were the most important factors causing unrest among craftsmen.

Pay also generated real difficulties for this group and for junior white collar staff but this was not because of the erosion of differentials. Badly organised and overlapping pay structures, particularly between blue and white collar workers, discrimination in fringe benefits and failure to maintain pay comparability between companies was far more important.

Differentials erosion and high taxation was a real immediate problem for senior managers, says the report. During pay policy, however, the report chronicles an enormous expansion in fringe benefits for senior managers which to some extent overcame this.

In July 1974, the cost to an employer of superannuation and fringe benefits for supervisors as a percentage of average salary, together with bonus and commission was 17 per cent.

For general managers, however, the corresponding figures rose from 16 to 37 per cent and for managing directors 12 to 36 pe rcent.

BASE LENDING RATES

A.B.N. Bank	17 %	■ Guinness Mahon	17 %
Allied Irish Bank	17 %	■ Hambros Bank	17 %
Amro Bank	17 %	Hill Samuel	§17 %
American Express Bk.	17 %	C. Hoare & Co.	†17 %
Henry Ansbacher	17 %	Hongkong & Shanghai	17 %
A P Bank Ltd.	17 %	Industrial Bk. of Scot.	17½%
■ Arbuthnot Latham	17 %	Keyser Ullmann	17 %
Associates Cap. Corp.	17 %	Knowsley & Co. Ltd.	18½%
Banco de Bilbao	17 %	Langris Trust Ltd.	17 %
Bank of Credit & Cmce.	17 %	Lloyds Bank	17 %
Bank of Cyprus	17 %	Edward Manson & Co.	18 %
Bank of N.S.W.	17 %	Midland Bank	17 %
Banque Belge Ltd.	17 %	■ Samuel Montagu	17 %
Banque du Rhone et de la Tamise S.A.	17½%	■ Morgan Grenfell	17 %
Barclays Bank	17 %	National Westminster	17 %
Bremar Holdings Ltd.	18 %	Norwich General Trust	17 %
Brit. Bank of Mid. East	17 %	P. S. Refson & Co.	17 %
Brown Shipley	17 %	Rossminster	17 %
Canada Perm't Trust	18 %	Ryl. Bk. Canada (Ldn.)	17 %
Cayzer Ltd.	17 %	Schlesinger Limited	17 %
Cedar Holdings	17 %	E. S. Schwab	17 %
■ Charterhouse Japhet	17 %	Security Trust Co. Ltd.	18 %
Choulartons	17 %	Standard Chartered	17 %
C. E. Coates	17 %	Trade Dev. Bank	17 %
Consolidated Credits	17 %	Trustee Savings Bank	17 %
Co-operative Bank	*17 %	Twentieth Century Bk.	17 %
Corinthian. Secs.	17 %	United Bank of Kuwait	17 %
The Cyprus Popular Bk.	17 %	Whiteaway Laidlaw	17½%
Duncan Lawrie	17 %	Williams & Glyn's	17 %
Eagil Trust	17 %	Wintrust Secs. Ltd.	17 %
E. T. Trust Limited	17 %	Yorkshire Bank	17 %
First Nat. Fin. Corp.	18½%		
First Nat. Secs. Ltd.	18 %		
Robert Fraser	18 %		
■ Antony Gibbs	17 %		
Greyhound Guaranty	17 %		
Grindlays Bank	‡17 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 15%, 1-month deposits 15¼%.
† 7-day deposits on sums of £10,000 and under 15%, up to £25,000 15¼%, and over £25,000 15½%.
‡ Call deposits over 1,000 15%.
§ Demand deposits 15%.

Pay protest may hit hospitals

By Our Labour Staff

MANY X-ray departments and other medical auxiliary services in Britain's hospitals are expected to be hit by industrial action by professional staff today.

The Association of Scientific, Technical and Managerial Staffs said yesterday it was expecting several thousand para-medical staff to join the union's day of protest and mass demonstration in London about their recent pay comparability award.

They would include radiographers, physiotherapists, speech and occupational therapists, the union said.

It is the first industrial action to be taken over a report by the standing commission under Professor Hugh Clegg.

The protest is about recommendations on working hours and call pay. Radiographers are said to be particularly angry at the suggestion they forefeit pay if they do not increase their working week from 35 hours to 37½.

The Society of Radiographers, representing 90 per cent of National Health Service radiographers, said it would withdraw all but emergency services to take part in the protest.

Mr. Doug Hoyle, ASTMS president and organiser of the campaign, said it was "a measure of the strength of feeling" that a professional society should take full part.

The National and Local Government Officers Association, which also represents para-medical staff, is not joining in. It has described the action as "precipitate, though understandable."

Liverpool dock action to continue

By Pauline Clark, Labour Staff

A MASS meeting of Liverpool dockers yesterday voted to continue their strike over steel blacking for at least another week. They also repeated their call for total stoppage in all British ports.

At the 30-minute meeting in Liverpool Boxing Stadium, 4,000 of the striking 5,300 dockers decided not to meet again until Wednesday.

Representatives of several thousand auxiliary workers, including tugmen, dock gate men and clerical workers, also decided to maintain their strike in support of the dockers.

The dockers' decision followed the failure of talks with port employers on Tuesday.

The strike began last Friday after 100 dockers were told they would not be paid if they refused to finish loading steel on a Soviet ship.

National officers of the Transport and General Workers' Union have given the strikers official backing. The union says the 100 dockers were complying with an official instruction not to load steel for delivery elsewhere.

● Hull port was at a standstill yesterday as dockers held the first of weekly one-day strikes over pay. Employers have offered 15 per cent, but dockers want at least 18½ per cent.

Ransomes and Rapier strike

PRODUCTION WAS brought to a halt at the Ipswich engineering firm of Ransomes and Rapier yesterday when the workforce of 500 held a one-day strike over a pay claim.

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

BUSINESSES FOR SALE

Letters to the Editor

Incomes policy

From Sir Alan Neale.

Sir,—It is easy to get confused about monetarist doctrine. Friedman, Hayek and lesser lights tell us that reducing the rate of growth of money supply is a sufficient condition for reducing the rate of growth of costs and prices. But when prices continue to rise despite monetary constraint, ministers reproach us for not responding properly and now your leader of March 22 rebukes both sides of industry for "failure . . . to take any notice of a determined monetary policy."

It is not in fact hard to understand why there is no spontaneous response of the kind which the theory requires. The bargainers in the system are of very unequal power. Up against cash limits the strongest groups in the workforce will be more, not less, determined to secure enough at least to maintain their incomes in real terms; the threat that jobs will be lost will not deter them, because typically the lost jobs will occur in a quite different sector of the economy. Similarly some employers will have no great difficulty in passing on cost increases to the consumer and these will include not just the nationalised industries with strong monopoly positions but large parts of the service sector from solicitors and accountants to local hairdressers and plumbers. The sector facing international competition will be in difficulty but there is little evidence that this sector will set the "going rate."

Thus what we see is not a general trend downwards in the rate of growth of prices and incomes, but a depressingly high average level of increase in both, coupled with lower activity and employment and, above all, a marked widening of the differences in reward between the better protected and less protected sectors of the economy. This last feature of the present scene is totally at odds with the declared aim of favouring those who create the wealth on which all else depends.

Your leader warns against yielding to pressure now lest the credibility of monetary targets be destroyed for the future. But as instruments for bringing about a reduction in the rate of growth of costs and prices, restrictive monetary targets are not credible now. Although we are told that the policy must take time to work, there is little reason to suppose that its effects on wage bargains and price decisions will be markedly different next year than this, even with a sadly lower level of output. Unless it can be shown convincingly that a spontaneous response to monetary stringency will occur, despite my arguments to the contrary, it is clear that an organised response will have to be found through a return to incomes policy.

(Sir) Alan Neale.
37, Stormont Road, N6.

Adjustment of pensions

From Mr. B. Webb Ware

Sir,—Linking of any pensions, be they private industry or civil service to the going rate of inflation is no perk. A person retiring on something like half pay plus old age pension is hard enough put to live without the pound in his pocket shrinking at 20 per cent per annum. Some correspondents have accepted that there are grounds for increases, but would limit these to say 5 per cent. In a dozen years of inflation at current rates a loaf of bread now costing 34p would cost over £3. Five per cent annual pension increases would give a pensioner 57p to pay for it.

Pensions cannot be funded to keep pace. The old age pension for a married couple is now £1,950 pa.. In the same dozen years at 20 per cent inflation it would need to be £17,400 to have the same purchasing power and even this assumes that personal allowances for taxation purposes keep step. It would be interesting to ask any actuary to fund that on a national basis. If he could not fund the old age pension he could not fund any other pension.

In your issue of March 18, the director, public relations of the Post Office gave the interesting information that 75 per cent of the cost of a stamp goes in wages. That is to say that wages represented 19 per cent of the last 25 per cent increase in the charges for second class post. In this considerable industry—and one wonders in how many others — the inflated charges borne by pensioners are largely due to the increases in wages paid to those in employment.

This is not the place to discuss the ethics of wage increases, but so long as they take place there is an unanswerable case that wage earners should bear the immediate cost of safeguarding the living standards of their retired comrades. This can be done, but it means a national switch from funded to pay-as-you-go pensions.

Funding has long been assumed to be a safeguard to ensure that money is available for pensions no matter whether the parent company or institution is solvent or not. The pension fund of direct interest to me has 42 per cent of its assets invested in equities. Has the asset value of any managed fund be it pension fund, unit trust or investment trust kept pace with inflation in the last decade any more than the FT Index? One is driven to the conclusion that galloping inflation would bankrupt any fund.

Incidentally there is an implicit long term danger in reposing your trust in a pension fund. The existence of vast holdings of equities in the hands of pension funds must be an irresistible temptation some day to an unscrupulous Government for nationalisation by the back door, by taking the funds forcibly into its custody and handing out government paper in return like any other nationalisation operation.

B. Webb Ware.
Stuberry Cottage, Graffham, Nr. Petworth, Sussex.

The French way

From Mr. M. Street

Sir,—Mr. S. Kirkham (March 18) asks whether it can be correct that contributions of 15 per cent of salary would pay for inflation-proofed pensions.

According to the last survey of occupational pension schemes, the total number of pensioners (including widows and dependants) is about 30 per cent of the total number of members. This is also the approximate ratio of the number of persons of pensionable age to the number of working age in the population as a whole. It is easily seen that if the members and their employers between them make contributions of 15 per cent, and if these contributions are immediately shared among the pensioners by the pay-as-you-go method, then the resulting pensions will on average be half the size of the current average salary of those who are working, and of course will rise as the current salaries rise.

The size of the pensions relative to current salaries depends only on the size of the contributions (15 per cent) and the proportion of pensioners (30 per cent). It does not depend on any assumptions about the future rate of interest or the future rate of inflation.

This is in fact the method used in the French scheme, which was started in 1947 by the Association Generale des Institutions Retraites des Cadres. It was extended in 1957, again in 1961 and finally in 1972 to cover all employees in the private sector. It is not confined to particular companies or occupations or industries. Every employee in the French private sector now contributes (by law) a fixed percentage of his salary and his employer pays a corresponding amount. The total contributions are immediately shared out among the pensioners, by an ingenious formula which takes account of each pensioner's past contributions in real terms. As the employees' salaries rise with inflation, so does the total income available for the pensioners. The scheme is self-financing and it is run by a large consortium of employers' associations and trades unions. The Government is not involved and the French taxpayer does not have to pay anything. The scheme is now being extended to cover the self-employed.

Setting up such a large scale scheme must present many difficulties, but the French seem to have overcome them and have made the system work. As a result, all private sector employees in France now have inflation-proofed pensions.

M. A. B. Street.
125, Thetford Road, New Malden, Surrey.

Far East trade

From the Managing Director, Jeuro Container Transport (UK)

Sir,—I was most flattered to read (March 14) that the mighty OCL regards my company as a grave threat to its continental presence on the UK/Far East trade. I should like to put Sir Ronald Swayne's mind at rest, at least about our intentions.

Your figures show that OCL and its Far Eastern Freight Conference associates have 80 per cent of the trade. Also that Trans-Siberian Railway's fifteen licensed operators have 10 per cent between them. The 10 per cent balance is with "outsider" shipping lines, of which the most important are Far East based. Admittedly TSR will have the capacity to move 250-350,000 TEU's in the not too distant future but does Sir Ronald seriously expect it to attain that figure?

The FEFC itself points out that the Soviet rail and port charges are low. There are limits to the Soviet Union's need for "hard currency." Sojuzvneshtrans cannot reduce its rates much further without effectively subsidising transport between two capitalistic societies, one in Europe, the other in the Far East.

The eastern freight conference is under pressure to keep its rates down, arguably below breakeven. TSR is being blamed but Sir Ronald knows as well as I do that the threat to his monolithic structure comes not from Jeuro and the other TSR operators but from newcomer shipping lines based in the Far East. It is these companies that are threatening the FEFC's 80 per cent — and our 10 per cent for that matter. Since these lines appear to be operating on strictly commercial grounds, however, they make poor targets for FEFC. TSR operators supposedly utilising a transport system heavily subsidised by the Soviet Union, are much easier to attack.

Sir Ronald, the TSR operators wish you well in your efforts to hold on to your massive share of the trade. We are afraid though that your broadsides at the TSR may direct attention away from the real threat. We have seen all too often what Oriental companies can achieve when playing Europeans at their own game. Will you still be complaining about us when the FEFC has only 50 per cent of the trade, outsider shipping lines have 40 per cent and TSR still has 10 per cent? I wonder.

For my part, I am concentrating on holding onto my existing traffic, against the twin competitive fronts of the new outsiders and the conference lines who are *slashing rates* to stay competitive.

J. L. C. Sallons.
6th Floor, New Mercury House, 81-82 Farringdon Street, EC4.

Trans-Siberian railway

From the Commercial Manager, Transtec International Freight Services

Sir,—I was interested to read the article (March 14) concerning the Trans-Siberian Railway. I wonder if I might make a number of comments on it?

It can hardly be surprising that the Trans-Siberian route is cheaper than the all-water route for a percentage of the cargo on offer. A glance at the map printed with your article will show that it is to begin with, very much shorter, especially as regards traffic to and from Japan, and given the economies of long distance and volume movement by rail, it is not unreasonable to expect this route to be the most economic in a purely capitalist sense. In addition, there is the situation of cargo to or from central and eastern Europe and most particularly southern Germany, Austria and Switzerland, to and from which areas the Far East Freight Conference offers shipments via Dutch or north German ports with a lengthy inland haul in the wrong direction to reach the source or destination. Again, taking purely western economic standpoints it cannot be *surprising* that the TSR *is* an economical alternative to the all-water route. I believe that it is in this particular market that the Trans-Siberian route is particularly strong and that this section of the market accounts for a high proportion of the total carryings mentioned in your article.

Your article touches upon but does *not* go into any *detail* concerning the role of the licensed foreign forwarding companies who actually control and sell the through service via the TSR. I feel that this does represent an interesting and encouraging side of modern Soviet business practice and that co-operation between relatively small-scale private enterprise Western or Japanese companies and the Soviet Government company, Sojuzvneshtrans, can only be of benefit in terms of mutual understanding. A typical Trans-Siberian shipment involves, in our case, the through movement of a British export by a British registered company with shareholders in Germany and Hong Kong (via South Africa), to a container manufactured by a Korean, Japanese or French manufacturer and owned by an American leasing company across the wastes of the Soviet Union to a destination in Japan or Hong Kong. I do not believe that there can be anything bad in bringing together all these various interests in one common operation out of which, all presumably, gain some benefit.

Having said that, I share Mr. Hall's fear of excessive domination of British imports or exports by the Russian challenge. On the other hand, I feel that an excessive share in the hands of any nationality (even British) can have similar disadvantages. One has only to ask a British exporter trying to break into the Australia market in the long years before the advent of ABC Line to learn what an unresponsive Conference dominated by Western interests but without any real sensitivity to market pressures can do.

At least the Trans-Siberian route and the more recent all-water non-Conference carriers provide a viable alternative to the otherwise monopoly interests of the Far East Freight Conference and while the competition is held within bounds, I feel that the interests of the British shipping community in general and of the individual British exporter or importer are probably best served by the *maintenance* of this balance.

P. R. George,
Transtec.
Reading Cargo Centre, 5-9, Berkeley Avenue, Reading, Berks.

Optimum size for hospitals

From Dr. R. Mackenna

Sir,—Dr. David Carrick's article (March 16) entitled "A new assault on the teaching hospitals" merits more than the mere approval of your readers, and one hopes that it will produce a favourable reaction in politicians and in the appropriate Ministry.

Experience of working in several capacities in teaching hospitals in London and Liverpool from 1924 to 1968 taught me that the *success* of a *really* good hospital depends not only on the efficiency of the medical, nursing and technical staffs and of the administration, but of equal importance is the *esprit de corps* existing between all grades of staff and their appreciation that the welfare and happiness of the patients is their chief concern. Each hospital in a group can be likened to an individual ship in a fleet, for each is a self-contained entity, and just as there are rivalries between ships there are rivalries between hospitals; this is a healthy phenomenon, *for* friendly rivalry promotes good work. Consequently it is almost impossible to merge one hospital of 500 beds (e.g. Westminster) into another of about 1,000 beds (e.g. St. Thomas's) without creating a great deal of friction and unhappiness which damages the morale of each so that the quality of the work *is* impaired, probably for a long time.

Then there is the question of size: despite financial arguments, bigger *does* not necessarily mean better (as Dr. Carrick implies) and there are many of us who believe that the optimum size for many hospitals *is still* 1,000 beds.

(Dr.) R. M. B. MacKenna.
29 Duchess of Bedford House, Campden Hill, W8.

Know it—it was Jowett

From Mr. B. Lewis.

Sir, — If, as Anthony Harris (Lombard, March 20) suggests, the sleek-haired, pink-faced Lord Curzon did ever claim that what he did not know wasn't knowledge, then he must have known that in the 1870s *Jowett*, the Master of Balliol, was being accused of making the same claim. Certainly one would have expected Lord Curzon to know, for he was an undergraduate at Balliol at that time.

Benedict Lewis.
13, Hillgate Place, W8.

Today's Events

UK: Dr. Rhodes Boyson, Education Minister, and Mr. Edward Heath, speak at Conservative Students annual conference, Loughborough University.

Sir John Greenborough, Confederation of British Industry president, speaks at CBI South West region dinner, Bristol.

Mr. Richard Burke, Common Market Transport Commissioner, speaks at Bristol Chamber of Commerce.

Association of Metropolitan Authorities emergency meeting to discuss proposed local authority funding changes.

Prince Philip opens new Magistrates' Court, Cambridge.

Prince Charles opens "War" exhibition, Imperial War Museum, Lambeth.

British Rail Property Board details financial performance for 1979.

Sir Frederick Wood, Croda International chairman and managing director, speaks at British Printing Industries Federation conference "Marketing against the odds," London.

Sir Peter Gadsden, Lord Mayor of London, lunches with Sir David McNee, Metropolitan Police Commissioner, New Scotland Yard.

Institute of Production Engineers seminar on buying machine tools, London.

Your business and building seminar, Institute of Directors, London.

Camden Antiques Fair opens (until March 30).

Overseas: Mr. Francis Pym, Defence Secretary, opens British Aviation Equipment Exhibition, Shanghai (until April 5).

EEC Agriculture Ministers meet, Brussels.

PARLIAMENTARY BUSINESS

House of Commons: Budget debate.

House of Lords: Criminal Justice Bill, third reading. Companies Bill, consideration of Commons amendment.

OFFICIAL STATISTICS

Energy Trends.

COMPANY MEETINGS

Alcan Aluminium, 10, St. James Square, EC, 2.30. Associated Fisheries, Savoy Hotel, WC, 12. Beaumont Properties, 100, Old Broad Street, EC, 2.30. Cardinal Investment Trust, 1-2, Laurence Pountney Hill, EC, 11.30. Clifton Investments, 100, Old Broad Street, EC, 11. Colne Valley Water, Aldenham Road, Watford, Herts., 12.30. Construction Holdings, 124, Chancery Lane, WC, 11. Coronet Industrial Securities, 75, Harborne Road, Edgbaston, Birmingham, 12. Eastbourne Waterworks, 14, Upperton Road, Eastbourne, 11.45. Evode, Common Road, Stafford, 12. General Consolidated Investment Trust, 1, Brewers Green, Buckingham Gate, SW, 2.45. Imperial Group, Grosvenor House Hotel, Park Lane, W, 12. Henry Norrington, 2, March Barton Road, Exeter, 12. Nottingham Manufacturing, Botany Avenue, Mansfield, Notts., 10.30. Phoenix Mining and Finance, Winchester House, London Wall, EC, 12. River and Mercantile Trust, 44, Bloomsbury Square, WC, 12.30. River Plate and General Investment Trust, 44, Bloomsbury Square, WC, 11.15. Romney Trust, 21, Moorfields, EC, 2.45. Sterling Trust, Bucklersbury House, 11, Walbrook, EC, 3.30. Tribune Investment Trust, 88, Leadenhall Street, EC, 2.30. West Coast and Texas Regional Investment Trust, 20, Birchin Lane, EC, 12.30.

THE MARKETING SCENE

BY MICHAEL THOMPSON-NOEL

Media expenditure enjoys near-record quarter

In months to come, advertising agencies and the media will almost certainly look back on the first quarter of 1980 as a three-month interlude of almost unmatched prosperity.

In part, the bonanza owes much to the carry-over from last autumn's ITV strike. There is also the buoyancy of consumer spending and the return to publication of Times Newspapers, plus the fact that expenditure figures for the first quarter of last year were depressed by the road haulage strike.

Nevertheless, gains have been substantial. They show up best in figures for gross display expenditure at rate-card costs on Press and TV in the 350-odd product groups monitored by Media Expenditure Analysis.

Over the first two months of this year, combined MEAL expenditure in the biggest category, department and retail stores, advanced by 29 per cent, to £12.66m, compared with the first two months of 1979. Spending on cars was 54 per cent higher, at £9.33m, and on direct response mail order, 63 per cent higher at £8.68m.

Chain grocery and Co-operative, the category presumably hit hardest by last year's road haulage strike, was 234 per cent better, at £5.65m. Cigarettes, chocolate confectionery, and records, cartridges and cassettes, all showed gains of at least 40 per cent. Beer advertising, on the other hand, was only 10 per cent up.

Still on the subject of media, the latest Media Monitor from Foote Cone and Belding makes some strange and strangled noises on the subject of Britain's fourth television channel, the debate over which, says FCB, is a "complete red herring" of "utter irrelevance."

The agency's media department, it transpires, is excited by the prospects for European satellite TV, which it hails as the herald of "geometric growth" in the power and spread of media in the '80's.

According to the agency's confident predictions, the first generation of European direct-broadcast satellites will be launched within three years—"capable of beaming pictures directly into the home, with accompanying sound-track in at least two languages."

The agency reports that "at the present moment, politicians all over Europe are maintaining a low profile on this issue, and yet, in our view, it is inconceivable that CTL (Radio/Television Luxembourg's parent company), or any number of European Governments, will not see the enormous financial opportunities to be gained through launching a pan-European, direct-broadcasting satellite, with a potential audience of up to 200m people."

This, says FCB in orbital prose, is just one of many reasons why the emotion and politics of the Channel 4 debate have been overtaken by events. The issue now, it says, is what impact satellites will have, how marketing and advertising strategies should be adapted, and how capable the domestic broadcast media will prove in defending their business against competition from outside.

Hi-ho.

Dunbee collapse forces Procter into talks

FACING A potential loss in excess of more than £250,000 following the collapse of Dunbee-Combex-Marx, Gordon Procter and Partners is in talks with other advertising agencies with a view to possible merger or take-over. Its aim, it says, is to "reinforce its image and strength."

The agency is also negotiating with the Dunbee receiver. Trouble loomed following Procter's major Christmas TV campaign for Pedigree Toys, which coincided with the Dunbee parent's last struggle for survival.

Procter's is Britain's 38th biggest agency. Billings last year were a reported £10.66m. Major clients include Philips, for which it handles approximately £2.5m worth of business, Beefeater Gin, Nicholas Laboratories and Saudi Arabian Airlines.

It is said to be in talks with at least half a dozen other agencies, including Ogilvy Benson & Mather and the Lopex Group, though managing director Laurie Cox-Freeman declined yesterday to spacify names.

Meantime, the proposed take-over of the Savino agency by Butler Dennis & Garland is off. BDG, which is involved in the pitch for the Grundig account, bills more than £8m and plans to re-enter the take-over fray.

● FOOTE CONE and Belding is handling a £50,000 campaign to promote the Stock Exchange's own viewdata system, TOPIC, which will display stock and share prices and will later be expanded to cover other information.

● McCANN-ERICKSON has bought the Lisbon agency, Manuel Martins da Hora, which expects a $6m billing in the current year.

● CIA IS TO provide media planning and buying services for Morphy Richards. It already handles Hotpoint and Schreiber Furniture, which means it now has all the GEC Schreiber media business.

RESEARCH: A SURFEIT OF THEORY DEMANDS AN ANTIDOTE

Cold draught at the end of the pier

YOU PAY your money and take your choice, particularly after a Budget like yesterday's.

The annual conference of the Market Research Society in Brighton last week offered an even wider range than usual of mind-troubling topics, for to accommodate the 1980s, the conference had been stretched to three days.

Delegates heard about research trends and industrial decision-making, about consumer attitudes and data capture.

At one point, conference-goers were introduced to "An Experimental Study of Refusers in Sample Surveys in the U.S."; at another, diverted by "Consumer Behaviour and Museum Exhibits" by M. B. Alt of the Natural History Museum.

Mr. Alt was describing the use of closed-circuit television cameras for studying the behaviour of museum visitors, and suggested how TV cameras, micro-computers and the analysis of behavioural records might be harnessed to study shoppers' behaviour in stores and supermarkets in those vital moments preceding the "consumatory act of purchase" at the checkout—all suitebly Orwellian.

One of the more elegantly discursive papers—the full collection is available from the MRS—was delivered by Tony Twyman of the Research Bureau, who observed, quite rightly, that the field of advertising research was one in which techniques and debates were constantly recycled, where wheels were reinvented and where circularity was seldom absent, intentionally or otherwise.

According to Mr. Twyman, the 1970s produced widespread rejection of all-embracing theories about how advertising works:

"Advertising is about trying to affect behaviour which can be frequent or rare, trivial or serious, costly or inexpensive, public or private. It can be about trying to make people start doing things, go on doing them, or stop doing them.

"Happily, the trend is already away from the global approach to advertising theory. Formal psychological theorising in recent years has tended to make more progress by the development of mini, operational theories about small areas of behaviour, rather than vast comprehensive theories. A similar route seems appropriate for advertising theory. Essentially, it is suggested that progress can only be made by building, not theories of advertising, but theories of the specific behaviour upon which advertising is one influence."

> *'There is now less expectation of a single magic theory about how advertising works, though the search for astounding new techniques slows down real development'*
>
> *— Tony Twyman*

However, as I observed at the beginning, in this particular neck of the business wood you pay your money and take your choice, for in some of the quieter moments of the MRS conference I happened to compare the unvexatious stance of most researchers with the almost bull-at-a-gate attitude towards advertising cost effectiveness adopted by Malcolm McNiven in the current issue of the Harvard Business Review.

Mr. McNiven is vice-president of marketing services for the Pillsbury Company, where he manages market research, advertising and consumer affairs. He was formerly a marketing vice president at Coca Cola, and advertising research manager at E. I. Du Pont de Nemours.

Compared with the dampness of the average market research paper, Mr. McNiven comes across like a firebomb through the letterbox. "Considering the financial pressures on businesses today, it is remarkable that the advertising budget has received so little attention and examination by top management," he states categorically

"This is partly due to the fact that many managers accept two basic axioms about advertising: first, that it is a necessary evil in their business expenditure, and second, that its effectiveness cannot be measured. Neither of these is true, since advertising—instead of being a financial burden—can provide the means to increase growth and profit if used creatively and wisely. In addition, the productivity of advertising can be measured far more accurately than most managers expect."

In 1977, he says, U.S. business spent approximately $44bn on main-media advertising. Much of this was spent by the top 100 advertisers, whose individual media budgets ranged from $25m to $400m. "These media expenses were usually equalled by the amount spent on consumer trade and promotion. In many cases, the advertising budgets exceeded the profit before tax for those companies, particularly for the packaged consumer goods companies."

Given budgets of those magnitudes, he says, a programme of "productivity improvements" can yield significant pay-offs. First, he insists, develop a budget strategy—then push hard for all possible cost reductions.

Once marketing objectives are set, he says, it makes sense to focus on advertising in the following three ways. Develop an advertising strategy to help

> *'Many managers accept two axioms: first, that advertising is a necessary evil; second, that its effectiveness cannot be measured. Both are wrong.'*
>
> *— Malcolm McNiven*

realise marketing objectives most efficiently. Establish an annual money limit for advertising. Plan to spend that money in the proper place at the proper time with the proper message.

As an example, he cites a recent strategy developed by Pillsbury's frozen pizza division. The U.S. frozen pizza business is characterised by high growth, high volume, low profits, little advertising and big trade promotions. Pillsbury wanted to increase volume by 30 per cent and profit by 100 per cent on its Tortino brand.

The advertising objectives included increased consumer awareness of the brand (plus 70 per cent), increased trial (plus 20 per cent) and repurchase (plus 40 per cent). The emphasis was switched from trade support to TV advertising, and in terms of sales, share and profit performance, says Mr. McNiven, the "outcome was a successful application of a total business approach to advertising."

With hardly a glance behind, he cuts his way through the thickets of advertising elasticities, statistical analysis, local tests and reach and frequency; then, arriving at a clearing in the jungle, takes a machete to the controversy of advertising cost reduction.

They are not going to vote him Adman of the Year. "Because of the complex and poorly understood nature of the advertising industry," he claims, "normal cost reduction programmes often bypass advertising in lieu of something more tangible, such as production, distribution or office expense. However, there are many opportunities to reduce costs in the advertising area."

Delve deeply into how and what you pay your agency, he says. Hire outside consultants to explore production costs. Insist on proof of performance by the media.

"If a company undertakes the programmes in a sensible way, and commits itself to accomplishing them, it is not unreasonable to expect a 5-20 per cent saving in the advertising and sales promotion budget," he claims.

He insists that productivity improvements will not harm advertising by stifling creativity: "Like any other productivity improvement programme, it must be carried out with sensitivity and a clear understanding of what is good for the business."

In contrast to the relative somnambulism of last week's Brighton conference, Mr. McNiven's views come across like a blast of cold air off the end of the pier.

LOMBARD

Why the British stand alone

BY ANATOLE KALETSKY

PIG-HEADEDNESS, insolence, greed—as far as most people in Britain are concerned, these are the only explanations for Europe's refusal to refund *Britain's contributions to the* EEC Budget. Whether they admire Mrs. Thatcher or detest her, practically all British voters applaud her efforts to "get their money back" from Brussels. This universal approbation seems to have convinced the Government that Britain's case *is logically* and morally irresistible. But it has left Ministers with nothing more solid than indignation and incredulity to to fall back on, when confronted with Europe's unanimous indifference to a case which seems, in the Chancellor's words, so overwhelmingly strong."

Now that the debate on the budget is postponed by the cancellation of the Brussels summit, it is worth reflecting not only on the intransigence of the French, but also on Britain's failure to win support from any of the other more "reasonable" EEC members, or even from any significant section of public opinion in any of *these* countries. Is it possible that Europe is not only ruled, but also populated, exclusively by xenophobic cynics, who are blind to the logical and moral imperatives of Britain's case? Or are Mrs. Thatcher's arguments less conclusive than they are generally assumed to be in Britain?

Mrs. Thatcher's original claim was very bald. Before last year's Dublin summit she insisted that Britain was entitled to a "broad balance" between contributions to, and benefits from, the EEC budget — as if this were a matter of pure logic. This line of reasoning may have *impressed the British* electorate, but it has made little impact elsewhere: after all, there is no known system of government budgeting, in which each individual taxpayer is entitled to demand a balance between his tax payments and his consumption of state benefits.

Thus Britain's case requires another leg. It must be based on social justice, as well as pure logic. Britain is the EEC's third poorest country. Surely, then, *it is unfair* that it should be paying net contributions to the EEC budget.

But even for crusaders against inequality, Britain's moral *case is by* no means conclusive. If, for example, the £1.2bn which Britain is demanding came mainly out of the agricultural budget, the transfer could well bear heavily on poor *peasant farmers in Italy* and France. If it were then used to finance cuts not just in Britain's income taxes, but also in capital taxation, the net effect could well be to redistribute money from the poor to the rich. If, on the other hand, Britain's refunds were financed by raising taxes in the rich countries, the poor of these countries could justifiably demand a share of the proceeds.

Of *course*, international diplomacy is not ruled by high morality, or even by logic. Nevertheless, the lack of a watertight theoretical basis for Britain's demands points to a serious flaw in Britain's whole negotiating strategy. By looking at the budgetary problem entirely from the British standpoint, and by isolating it from all other Community issues, the Government *has* failed to inject any coherent general principles into *its special* pleading. It has shown little interest in general, Community-wide reforms which might benefit not only Britain, but also other member countries, or at *least some* of the political or social groups within them. Thus none of the other countries has anything to gain, and *some may* have much to lose, by supporting Britain.

The other side of this coin is that a British Government which genuinely wished to steer the Community's *fiscal mechanisms* in a more rational, or a more redistributive, direction would find plenty of support in the other member countries. Even *in France and Germany* support for the Common Agricultural Policy is by no means unanimous.

Britain could be marshalling the pressure groups, strongly represented in the European Parliament, which want to replace the present CAP with a more selective social policy, which could assist industrial, as well as agricultural, areas facing hardship. But only by seeking reforms that could benefit *the whole Community, instead* of ad hoc responses to immediate grievances, will Britain be able to turn some of its European partners into genuine *allies*.

EEC competition policy on trial

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

DEFENDING the EEC Commission against the accusation that its competition policy was *losing* much of its credibility and effectiveness, M. Raymond Vouel, the Commissioner responsible for it, said in the European Parliament recently: "I think that in general the current procedure ensures that a balance is kept between a firm's right to defend itself and the need to put *an end* to infringements of the competition rules as quickly as possible."

Last week Mr. Bastiaan Van der Esch, who is in charge of competition matters in the Legal Service of the Commission, did his very best to convince a group of distinguished legal practitioners from all member countries that they should put their trust in the fair-mindedness of the Commission's officials instead of insisting that a fair trial was best assured by the right of the accused to be heard.

Needless to say, Mr. Van der Esch did not succeed, and a report from the conference which was convened in Luxembourg by the International Association for the Study of Competition should be read by politicians who are responsible for community affairs but rarely take the trouble of seeing for themselves the bizarre convolutions to which the splendid idea of a Common Market is being reduced.

In order to be able to defend himself the accused must first know what the accusation is. Again and again, however, it has been shown in the European Court that the Commission kept back important documents, particularly complaints which *started* the proceedings, and allowed the accused party to see only those bits which it considered "*relevant*." When asked what harm would result from also showing the accused party documents considered by the Commission to be "irrelevant," Mr. Van de Esch had no answer and said that the question was wrongly posed. The fact, of course, is that the Commission keeps two files on each case it investigates, and reveals to the accused party only one, keeping away much that could assist the defence.

It seems that the Commission does not only keep things secret from the parties but also from the Advisory Committee composed of competition experts representing member governments whose opinion the Commission is obliged to seek before taking a decision. In the Distillers case*, still pending before the court, the Commission failed to present the Advisory Committee even with the minutes of the hearing, but the Commission made available to the advisory committee the complaint lodged against Distillers by Bulloch, asserting that Distillers have a monopoly position.

On the basis of the material submitted by the Commission, Dr. Santer, the representative of the Federal Cartel Office on the committee, came to the conclusion that "DCL is making rather a big demand in requesting *an exemption for its system* of quantitative distribution when it enjoys a monopoly position." However, Distillers were shown only a censored version of Bulloch's complaint from which all reference to their monopoly position had been removed, so that it had no reason to defend itself against this secret accusation.

The Commission also censored that part of Bulloch's complaint in which the Glasgow company admitted that it could not penetrate the Belgian market with its own brands of whisky because it could not afford the heavy advertising expense. This confirmation of Distillers' argument that their Continental distributors had to carry the burden of advertising for which they deserved price protection would surely have been useful to the defence, particularly coming from the adversary. Yet the Commission persevered in the double fallacy that this statement of Bulloch's was irrelevant and, consequently, should not be disclosed to Distillers.

In spite of this evident unfairness which has also been manifested in other cases, the Commission's *spokesmen* insist that the Commission's internal system of checks and balances, and the solicitude which its officials have for the rights of the *accused, are more than* any defence could provide. Thus the inquisitors used to profess the greatest solicitude for the eternal salvation of those burning on the stake.

The denial of a proper hearing, and of other rights of the defence concerns only a relatively *small number* of companies involved in investigations. A much greater number of companies suffer from the peculiar rule that all agreements *suspected of infringing* EEC competition rules (and, therefore, notified to the Commission) are provisionally invalid as long as the Commission has not cleared them or has granted an exemption. This means that a party to such an agreement can claim its invalidity whenever sued in national courts for breach of contract.

Until recently this uncertainty was believed to be only temporary though lasting many years until the Commission reached a decision. More recently, however, the Commission has adopted a new practice. It simply asks the companies to amend the agreement, or declares straight away that it does not intend to take any action. The notification is then put on the "dead" file—and the agreement remains provisionally invalid for ever. "The Commission is finding more and more frequently that firms change their agreements and behaviour to comply with community competition rules of their own accord without a formal decision being taken," said Commissioner Vouel in the European Parliament.

No great harm *is* done if the notification placed on a "dead" file is covered by one of the few regulations which exempt agreements of certain types from the impact of the competition rules. However, when this is not so the companies concerned are placed in *the* sort of untenable situation well illustrated by the series of French perfume cases† now pending before the European Court. All the great names of France are involved — Guerlain, Rochas, Lanvin, Nina Ricci — as well as the French subsidiary of the Canadian company of Estee Lauder.

The hearings in all the five cases had already once been closed by the delivery of the opinion of Advocate General Herr Gerhard Reischl. He concluded that the Commission did not initiate a proper procedure; did not consult the advisory committee, and did not adopt any decisions. The letters signed by the Commission's officials, and *saying that no* further action would be taken, were not good enough to establish the validity of these agreements under EEC law or to condemn them under French law as long as such decisions did not hinder the uniform application of EEC rules of competition.

Such a degree of perpetual legal uncertainty was too much even for the European Court. It *has now* decided to reopen the hearings, something which it almost never does. A new hearing will take place at the end of April.

The court now has an exceptional opportunity for improving the credibility and effectiveness of EEC competition procedures. In the Distillers case it can reaffirm the rights of defence, and in the perfumeries case it can re-establish the provisional validity of notified agreements which it mistakenly removed in 1974.

* 30/78. † 253/78, 1, 2, 3, 37/79.

Irish can land Topham again

RACING

BY DOMINIC WIGAN

THE GRAND NATIONAL meeting gets under way this afternoon at Aintree, where all *but two of the races carry* £4,000 or more of added prize money.

Given good weather and reasonably favourable results for punters on this opening day, the meeting could well attract its biggest attendance for many a year.

Twelve months ago, Ireland took the afternoon's feature event, the Topham Trophy, through Arctic Ale. It may well be that Giolla Deachar will do the trick for the invaders this time. *Giolla* Deachar, a strongly made bay gelding, has improved a good deal since running sixth to Kilcoleman at Leopardstown on March 5, and will be seen to advantage over the stiff fences.

Thirty-five minutes after the Topham, the huge Irish contingent may be cheering home another from their country for Drumgora looks to be leniently treated with 10 st 9 lb in the Holiday Inn Chase.

Looking ahead to the Grand National, Playboy reports a £1,000 cash bet at 50-1 in one of their shops for The Pilgarlic, *whose odds have been slashed* to 33-1. A runner in the last three Nationals, the Fred Rimell-trained Royal Buck gelding came close to winning two years ago when beaten less than three lengths by Lucius.

The Pilgarlic is a half-brother to the dual Gold Cup *winner and National hero* of 1975, L'Escargot, as well as to What A Buck (sixth in 1977) and to Flitgrove who got to the fourth from home last year.

The Pilgarlic, still available at 40-1, is one of three Rimell runners. The Kinnersley trainer, responsible for the 1956 Grand National winner, ESB, Nicolas Silver (1961), Gay Trip (1970) and Rag Trade (1976), also saddles Royal Frolic and Another Dolly.

AINTREE

2.00—Clayside
2.35—Giolla Deachar
3.10—Drumgora**
3.45—Prayukta
4.30—Rolls Rambler
4.50—Aliek

STOCKTON

1.45—Our Foxbar
2.45—Saint Jonathan***
4.15—General Times*

TV/Radio

BBC 1

† Indicates programme in black and white

6.40-7.55 am Open University (Ultra high frequency only). 9.00 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Heads and Tails. 2.15 For Schools, Colleges. 3.25 Dechrau Siarad (Learning Welsh). 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Bojan. 4.25 Jackanory. 4.40 Star Turn. 5.05 John Craven's Newsround. 5.10 Blue Peter. 5.35 Paddington.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Tomorrow's World.
7.20 Top of the Pops.
7.55 Lennie and Jerry.
8.30 James Burke.
9.00 News.
9.25 The Budget: The Rt Hon Denis Healey for the Opposition.
9.35 Play for Today.
10.40 Question Time.
11.40 Weather/Regional News.

All Regions as BBC 1 except as follows:—

Cymru/Wales — 2.15-2.35 pm I Ysgolion. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 10.40 Glas Y Dorlan. 11.10 News and Weather for Wales.

Scotland—10.10-10.30 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.40 Current Account. 11.10 Home Movies. 12.00 News and Weather for Scotland.

Northern Ireland—11.30-11.50 am For Schools (Ulster in Focus). 3.53-3.55 Northern Ireland News. 5.55-6.20 Scene Around Six. 6.55-7.20 Sportsweek in Northern Ireland. 11.40 News Headlines. 11.44 Tomorrow's World. 12.09 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today *(Southampton)*; Spotlight South-West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC 1 3.35 pm).
2.20 pm Racing from Aintree.
4.50 Open University.
6.55 The Getaways.
7.25 Mid-evening News.
7.35 Newsweek (a report on imports).
8.10 In the Making.
8.30 The One-armed Bandit Murder.
9.00 A Question of Guilt.
9.30 Man Alive.
10.20 15th Cambridge Folk Festival.
10.45 Newsnight.
11.30 The Budget (as BBC 1 9.25 pm).
11.40 Work and Leisure.
12.05 am Closedown reading.

LONDON

9.30 am Schools Programmes. †10.46 Bertrand Russell Speaks His Mind. 11.05 Schools (continued). 12.00 Toppers Tales. 12.10 pm Stepping Stones. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. *1.30* Together. 2.00 After Noon Plus. 2.45 Some Enchanted Evening. 3.45 How's Your Father? †4.15 Children's Matinee: Bud Flanagan in "Life Is A Circus."

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Looks Familiar.
7.30 The Jim Davidson Show.
8.00 Armchair Thriller.
8.30 TV Eye.
9.00 Chief of Detectives.
10.00 News.
10.30 The Budget: The Shadow Chancellor, Mr. Denis Healey, speaks on behalf of the Opposition.
10.40 Thames Report.
11.10 Lou Grant.
12.10 am What the Papers Say.
12.25 am Close: Personal choice with Ray Smith.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 2.45 Houseparty. 3.15 Firehouse. 3.45 Looks Familiar. 4.15 The Bubblies. 4.25 Rocket Robin Hood. 4.45 The Next Week Show. 5.15 Emmerdale Farm. 6.00 About Anglia. 6.20 Arena. 7.00 Survival. 10.40 International Darts Matchplay. 11.10 Doctor's Private Lives. 12.05 am Themes.

ATV

12.30 pm Gardening Today. 1.20 ATV Newsdesk. 3.45 Looks Familiar. 4.16 Windows. 4.20 Fangface. 4.50 Salvage—1. 6.00 ATV Today. 7.00 Emmerdale Farm. 10.40 Format V. 11.20 ATV Newsdesk. 11.25 Lou Grant. *12.30 am Stars* on Ice.

BORDER

1.20 pm Border News. 2.45 Houseparty. 3.15 Out of Town. 3.45 Looks Familiar. 4.15 Thursday Matinee: "Mobile Two," starring Jackie Cooper. 6.00 Lookaround Thursday. 7.00 Emmerdale Farm. 10.40 Soap. 11.10 Fireside Theatre. 12.10 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 3.45 Looks Familiar. 4.18 Little House on the Prairie. 5.15 Emmerdale Farm. 6.00 Report at Six. 7.00 Target the Impossible. 10.28 Channel Late News. 10.32 A Chance to Meet . . . Arthur Lowe. 10.40 Soap. 11.10 Untamed World. 11.30 Kaz. 12.25 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North *News*. 3.45 Looks *Familiar*. 4.15 Little House on the Prairie. 5.10 Mork and Mindy. 6.40 Police *News*. 6.00 North Tonight and Area Weather Forecast. 7.00 The Electric Theatre Show. 10.40 Soap. 11.10 Luke's Kingdom. 12.10 am Reflections. 12.15 North Headlines.

GRANADA

1.20 pm Granada Reports. 3.45 The Amazing World of Kreskin. 4.10 The Undersea Adventures of Captain Nemo. 4.15 Salvage—1. 5.10 This Is Your Right. *6.15 Crossroads*. 6.00 *Granada* Reports. 6.30 Emmerdale Farm. 7.00 Mork and Mindy. 10.40 Celebration. 11.10 What the Papers Say. 11.30 Richie Brocklemsn.

HTV

1.20 pm Report West Headlines. 3.45 Looks Familiar. 4.15 Spiderman. 4.45 Wyatt's Place. 5.15 Jobline Newsdesk. 6.20 Crossroads. 6.00 Report West. 7.00 Emmerdale Farm. 10.40 *Le Village, un Village.* 11.10 Luke's Kingdom. 12.05 am George Hamilton IV.

HTV Cymru/Wales—As HTV West/HTV General Service except: 5.52-10.07 am Am Gymru. 10.48-11.03 Mwy Hau Lai. 12.00-12.10 *Ffalabalam.* 1.20 pm Penawdau Newyddion. 7.25-1.30 Report Wales Headlines. 4.45 Ser. 6.15-6.20 Cartoontime. 6.00 Y Dydd. 6.15 Report Wales. 6.30-7.00 Sports Arena. 10.40-11.10 The Corpse Candle.

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92-95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

[illegible]

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]

BBC Radio London

[illegible]

London Broadcasting

[illegible]

F.T. CROSSWORD PUZZLE No. 4,236

ACROSS

1 Pub circular sensible? Not at all (2, 2, 4)
5 Found the goal arranged for orchestra (6)
10 Had property admitted (5)
11 Most minor roads at the very *minimum* (9)
12 *Lithe cats forced into running* (9)
13 Recently stolen by the Spanish holiday centre (5)
14 Was powerless in the air (6)
15 Government department that has its uses (7)
18 Examiner on his metal to fool English philosopher (7)
20 Retiring outside *in conjunction* with drink (6)
22 Preserving jelly from overseas pickle jar (5)
24 Give reasons to present accountant with employment (4, 5)
25 Punish players I entrance (9)
26 Conservative leader in position to send message (5)
27 Free in Scots river to mock (6)
28 Overcharge hit of sunfish (5-3)

DOWN

1 One like this pub linking similar pressure points (6)
2 A number of openings on short course (4, 5)
3 Woeful issue (10, 5)
4 Went out with head of Southampton United (7)
6 Wrestling for those of a grasping nature (5, 2, 5, 3)
7 Make some response about stage performance (5)
8 Record miss let out (8)
9 Stops Bill taking wine (6)
16 Ought divine pain-killer be 17 say (3, 6)
17 University man cut open stable (8)
19 Clara's reforming a scoundrel (6)
20 Earliest circle in broken stones (7)
21 Just yours truly right by cathedral (6)
23 Model question (5)

Solution to Puzzle No. 4,235

CAPACITY MOPING / IN THE PIT STIFLE / BRUSSELS PINMAN / ACCIDENTAL / APPRENTICE / RECTOR OBLIVION / ARMADA PASTICHE / DIMERO SKELETON

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit Cards. 240 5258. Reservations 836 3161. Evgs 7.30. Mat Sats 2.30. LONDON FESTIVAL BALLET ...

[illegible]

THEATRES

OLD VIC. 928 7616. Nimrod Theatre of Australia THE CLUB by David Williamson "Blissfully funny." The Times. Until April 12. Evgs. 7.30. Sat. Mat. 2.30.

[illegible]

YOUNG VIC STUDIO. 928 6363. Ton't 7.30. THE IMPORTANCE OF BEING IRISH.

CINEMAS

CLASSIC 1, 2, 3. Haymarket (Piccadilly Circus Tube). 01-839 1527. 1: ANIMALYMPICS (U). Progs 1.50 (Sun 2.30). 4.00, 6.10, 8.20. ...

[illegible]

ABC 1 & 2, SHAFTESBURY AVE. 836 8861. Sep. perfs. ALL SEATS BOOKABLE. 1: APOCALYPSE NOW (X). Wk. & Sun. 1.15, 4.30, 7.55. 70mm Dolby stereo. 2: THE ONION FIELD (X). Wk. & Sun. 2.00, 5.00, 8.00.

ART GALLERIES

[illegible]

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floor shows. 189, Regent St. 734 0557.

GARGOYLE, 69 Dean Street, London, W1. NEW STRIPTEASE FLOORSHOW BRIEF ENCOUNTERS 11-2.30 am. Shows at Midnight and 1 am Mon.-Fri. Closed Saturdays. 01-437 6455

THE ARTS

Leonard Burt

Robin Nedwell, Ursula Mohan and Peter Blake

Churchill, Bromley

The Promise

by B. A. YOUNG

It becomes increasingly evident that the success of Arbuzov's play when it was first seen in Oxford and London was due to its glamorous casting—Ian McKellen, Ian McShane, Judi Dench. I don't mean that there's anything wrong with the casting at Bromley (Robin Nedwell, Peter Blake, Ursula Mohan); they fit admirably into their parts. But the more often I see the play, the emptier it seems.

Its plot follows the rivalry of two men for the hand of a woman. They first meet in 1942 in a crumbling room in invested Leningrad (Roger Beck, designer)—18-year-old Marat, who wants to build bridges when he grows up, 17-year-old Leonidik, who wants to be a poet, and almost 16-year-old Lika, who wants to be a doctor like her mother. We meet them again in 1946; Marat is a Hero of the Soviet Union; Leonidik has lost an arm, Lika is a second-year medical student. Leonidik's misfortune gives him a sentimental advantage, and although he shows signs of incipient alcoholism, Lika marries him.

The final confrontation comes in 1959. Marat has built six bridges, apparently single-handed (Arbuzov's characterisation is superficial, ornamental, rather than analytic), but Leonidik's poems are unsuccessful and Lika is only an "attached superintendent," not a research specialist. Marat, to whom Peter Blake gives an unsympathetic, hectoring manner at this stage, makes it clear that Leonidik ought to go out and face the world in order to fulfil his youthful promise. Leonidik cheerfully does so, leaving without an overcoat on New Year's Eve in Leningrad (one of director Philip Partridge's few minor errors in a generally good production), and Marat moves in.

Now Arbuzov never believes in permanent emotional relationships. His heroes and heroines marry, divorce, live together, separate as casually as sparrows, and for me this makes it impossible to care about their affections. It can be argued that the theme of *The Promise* is not love and marriage, but achievement of ambition; yet the machinery with which it is presented runs on love as its fuel. And as there could so easily be a fourth act in which Leonidik comes back after a literary success to oust Marat when his latest bridge falls down, the relationships of these three easily-satisfied young people don't seem to matter all that much.

Berlin Theatre

The Investigation

by RONALD HOLLOWAY

When the talented young stage director, Thomas Schulte-Michels, presented last year a daring production of Peter Weiss's *The Investigation (Die Ermittlung)* in the provincial town of Moers, near Dusseldorf, he had the current Majdanek Trial as a handy frame-of-reference. The trial is still going on, and the revelations leaked at Düsseldorf still chill the blood as only news on the Jewish Extermination Camps can. Critics greeted the concept of a nite-club "investigation" via talk-show gags, this-is-your-life puns, painted faces and gaudy costumes as the kind of eye-opener the provinces have become noted for in these days of unimaginative Staatstheater.

Then Schulte-Michel's version of *The Investigation* was invited to Berlin by Kurt Hübner, Intendant of the Freie Volksbühne, and became the focal-point of controversy. Heinz Galinksi, the leader of the Jewish community in Berlin, protested against the director's "lack of taste"—and he was right. After a few days, the playwright Peter Weiss announced that he was in favour of the production staying on the boards—and he is probably also right in doing so. Now, a few weeks after the March 8 première, Kurt Hübner is introducing each presentation and leading a discussion afterwards.

Is is worth it? *The Investigation* was written in 1965 as an Oratorium, a verbal hymn for the Auschwitz dead. Now we have a kind of satirical revue by third-rate actors who recall what the Living Theatre and Pip Simmons meant to a smug establishment a decade or more ago. And this "show" isn't taking place in a cellar or a laboratory theatre or a Werkstatt, but on the stage of the Freie Volksbühne whereby some 400 visitors can enter into a reconstructed nite-club replete with a lighted ramp and a banging balcony.

If the new generation in Germany should wish to become acquainted with the Holocaust, then my recommendation would be a viewing of Ebbo Demant's 60-minute documentary film, *Lagerstrasse Auschwitz*, in which killers tell their own story.

Record Review

Post-romantic orchestras

by DAVID MURRAY

Mahler: Symphony No. 9 Klaus Tennstedt / London Philharmonic. EMI SLS 5188 (two records).
Schoenberg: Gurrelieder. Jessye Norman, James McCracken, Tatiana Troyanos, Werner Klemperer and Kim Scown with Ozawa/Boston Symphony. Philips 6769 038 (two records).
Debussy: 3 Nocturnes. Ibéria (Images No. 2). Jeux. Maazel/Cleveland Orchestra. Decca SXL 6904.
Berg: Violin concerto. Stravinsky: Violin concerto. Itzhak Perlman with Ozawa/Boston Symphony. DG 2531 110.
Transcriptions of Debussy, Berg and Schoenberg. Boston Symphony Chamber Players. DG 2531 213.
Stravinsky: Apollo. Orpheus. John Lubbock/Orchestra of St. John's, Smith Square. Enigma Classics K53585.
Nicholas Maw: Life Studies. Neville Marriner/Academy of St. Martin-in-the-Fields. Argo ZRG 899.

"Post-romantic" music is a disparate collection, the only criterion being that it should in one way or another represent a reaction against the better-defined Romantic tradition, rather than a continuation of it. By that standard, as by any other than that of technical mastery, Mahler's place remains grandly ambiguous; and his Ninth Symphony occupies the no-man's-land triumphantly, despite all its surface despair and disintegration. Heard in one way, it is an intellectual development of the "Pathétique" Symphony of Chaikovsky (whom Mahler respected); in another, it is a longing, retrospective view from an irretrievably post-romantic place, all deliberate and self-conscious construction. It can bear many readings, and Klaus Tennstedt's new recording with the L.P.O. offers one of special weight.

Tennstedt plays the Symphony for the notes alone—not coldly, but as if the whole strength of the work belonged within the classical symphonic tradition. He neither wrings the withers of the tunes, nor reads the first and last movements as Romantic tone-poems, nor allows the orchestration of the second and third to sound like savage parodies of Romantic models. The performance has great breadth, and a spacious acoustic (which takes any edge of bright hysteria off the *Ländler* movement, and the dry snarl from the Scherzo). The symphonic argument is beautifully and strictly realised: the result is less immediately tender than Bruno Walter's, less dramatically stern than Klemperer's, less black and violent than Solti's. The proof of the pudding is the coda of the final Adagio, which Tennstedt earns the right to sustain daringly: it is cogent and quite unsentimental, and thus very moving. About the whole performance, my only reservations are that the LPO strings lack sheer mass as against the wind (notably in some first-movement climaxes), and that the approach to the first-movement recapitulation—*wie ein schwerer Kondukt*—is not taut enough to sound inevitable and tragic. Every other version leaves room for argument, too; this one has great distinction.

Seiji Ozawa's virtue is a kind of cosmopolitan omni-competence, an acute sense of basic musical requirements without any particular Western roots. His account of Schoenberg's *Gurrelieder* of 1900-11 is exact, and sumptuously recorded; in a sense he misses any close sympathy with Schoenberg's specific gestures — the old Kubelik recording comes nearer —and in another sense that shouldn't matter, in a score of such expansive proportions. Here the broad proportions are just right, and among the solid team of vocal soloists Jessye Norman is magnificent as the Isolde-figure of the narrative. The Wood-Dove is Tatiana Troyanos, scarcely less strong and subtle. It makes an exciting whole, and may well nudge the *Gurrelieder* back into the mainstream repertoire.

Ozawa's astuteness is still more telling in his version of Berg's Violin Concerto with Perlman. The orchestral part is radiantly detailed (granted the usual assistance by the engineers with the important harp part), in some respects beyond any other recording. Perlman himself is in impeccable form, as he is also in Stravinsky's Concerto; he is excusably kept in the foreground, but no musical substance is lost in the balance. I do not see how either performance could be significantly bettered, and the Berg is quite treasurable.

Maazel's Debussy collection on Decca, an attractive assemblage, is sturdily poised music-making, with small concession to tinted effects. There is little Impressionist "mystery" in these performances, but the music sounds more persuasively argued for that: the "Sirènes" of the *Nocturnes* are directly seductive, not at all other-worldly, and *Jeux* is more lithe and energetic than visionary. In this demythologising vein, the Boston Symphony Chamber Players' record is a sharp tonic. Without their orchestral cushions, Schoenberg's *Kammersymphonie* op 9 (transcribed by Webern for five instruments) and Debussy's *L'Après-midi d'un faune* (reputedly transcribed by Hanns Eisler) sound concentratedly lean, but not emaciated. The playing is so good, but for a too-forthright piano, that the instrumental colour seems less restricted than just renewed. The Berg is not really a transcription, but the composer's own version for trio of the Adagio from his *Kammerkonzert*, with a lovely account of the (intact) solo violin part by Joseph Silverstein.

Stravinsky's post-romantic string writing is of course neo-classical, though in both *Apollo* and the later *Orpheus* it makes honestly respectful bows to Chaikovsky. John Lubbock and his St. John's Smith Square players are sensitive to that and to almost everything else in these exhilarating scores, and are excellently recorded; only the balletic side of the music is played down, with lighter and less rebounding basses than Stravinsky used to demand: The style here is satisfyingly lithe and gutty nonetheless. Nicholas Maw's string writing in his *Life Studies* set is—well, romantic above all: enormously resourceful, often ravishing, brilliantly varied in density and pace. Though the music occupies a contemporary middle ground, it does not play safe; Maw pursues his own ideas tenaciously, and he may have surprised even himself with the perspectives opened up in this fine work. After several hearings one's pleasure is undiminished, and one's admiration still increases. The Academy performance is exemplary.

St. John's Smith Square

Janice Chapman

by DAVID MURRAY

The Australian soprano Janice Chapman reappeared on Tuesday night in recital with David Harper. In a fairly wide-ranging programme Duparc and Brahms came off best, perhaps just because Miss Chapman had by then tested out the hall, and was projecting her songs into its gently booming reaches with fuller confidence. The Handel aria with which she had begun found her sacrificing tone to flexibility, and throughout her first half Mr. Harper's extreme reticence suggested that he feared being overheard. When he *could* be heard, his accompaniments had much musical refinement; but he offered no supporting drive, and I suspect that patches of sagging pitch from the soprano resulted simply from her being unable to hear what he was doing better than we could.

Wagner's Wesendonk-Lieder, which include the two famous *Tristan* sketches, were becalmed beyond even what their hot-house climate suggests. At dangerously relaxed tempi, with Harper's whispered piano-parts making hardly a ripple, Miss Chapman was content to voice them mildly: no phrase seemed to proceed in any purposeful direction. A new set of songs by Don Kay on verses of Robert Graves sounded brighter, but one could have judged that better given some clue to the words—it was over-optimistic in St. John's not to print them in the programme.

Among Miss Chapman's Duparc group, "Phidylé" and the evergreen "Invitation au voyage" had much more vitality, and their crystalline piano writing came across to good effect (if not, probably, to the back rows). The fairy-tale delicacy of "Au pays où se fait la guerre" was rendered even a little too robust —it suggested a prosaic bourgeois *scena*. A certain heartiness suits many a Brahms song very well, and in the five she chose Miss Chapman sounded operatically engaged on friendly territory. Mr. Harper, on the other hand, retreated once more to his passive stance, contributing less than his share to those songs which are really voice-and-piano duets. The impression remained that Miss Chapman is happiest in full operatic cry, too ready to drift aimlessly in songs on a smaller scale.

Arts news in brief

The Chester recorders, the only complete set of Bressan recorders surviving in Britain, will be heard in a concert at St. John's Smith Square, London, on April 1.

The four recorders from the Grosvenor Museum, Chester, were made by French-born Peter Bressan in London before 1731. They belonged to the Cholmondely family and were presented to the Chester Archeological Society after being discovered in an attic in 1845.

According to Alan Davis, the Birmingham-based recorder player presenting the concert, it will be the first time the set has been heard in London.

* * *

The International Chopin Piano competition will take place in Warsaw from October 2-19 this year, the tenth competition since its was first held in 1927.

The 25-person jury includes Martha Argerich from Argentina and the Austrian Paul Badura Skoda.

Entries for the competition, which is open to pianists aged between 17 and 30, close on May 1.

James Griffiths, James Cairncross and Marjorie Bland

Bristol Old Vic

Plenty by MICHAEL COVENEY

There is a grim irony in reviewing a play called *Plenty* on Budget Day, especially when belt-tightening in the public sector of the economy has become the most frequently heard war cry from the present Government. David Hare's evocative lament for post-war idealism, the days of peace and plenty that received a boost with the Festival of Britain and a severe knock with the Suez catastrophe, remains a pungent backdrop to the spiritual decline of a strong-willed heroine.

Susan Traherne, like so many of Mr. Hare's memorable ladies —in *Knuckle* on the stage, in *Licking Hitler* and *Dreams of Leaving* on television—is a mad, strange and private person tailor-made for the talents of Kate Nelligan. Miss Nelligan played all four parts, investing them with a mysterious, defensive sexuality with aggressive social overtones. In *Dreams of Leaving*, madness seemed to be both the price and the cause of metropolitan promiscuity. In *Plenty*, Susan loses her grip as marriage to a low-flying diplomat fails to measure up to the remembered experience of camaraderie and aspiration in her role of courier among the undercover agents in the French Resistance.

It is a piece of dazzling technical prowess in which the jump-cutting structure is enlivened by vivid daubs of writing in a bohemian Pimlico flat where Susan is clutching at straws in a succession of unsatisfactory jobs; by the river in 1951 as, underneath the Festival lights, she picks up a rationing spiv to father a child who never arrives; at a brilliantly written dinner scene were an old diplomat, about to be submerged for his misgivings over Suez, witnesses a frightening outburst of critical despair; in Whitehall, where Susan is told by a diplomatic personnel chief that her husband is being held back, possibly because of her, and that there are qualities more valuable in diplomacy than being right or wrong.

The characteristic moral anger of this playwright burns like a laser through the writing, but never at the expense of the style. And Marjorie Bland shows that a more direct approach than that adopted by Miss Nelligan at the National Theatre two years ago can also pay off. It is a fine performance and it receives fine support from James Griffiths, James Cairncross, Cecily Hobbs and Andrew Hilton.

If David Tucker's production seems like a second carbon copy of Mr. Hare's own National version—even the Knightsbridge furnishings are identical—it is nonetheless a confident piece of staging on the large scale. The bright French sunlight and Susan's optimism finally fade leaving her in silhouette like a little lost Alice. That, as the play has demonstrated, is how things turn out.

Country Cousin

Wall Street Crash

Not everyone is economy minded these days. Wall Street Crash, the cabaret at Country Cousin for the next two weeks, has depth if nothing else—eight singers, plus a ten-piece band. It must be love that persuades such a mob to split the take, and it is—love of the quality pop songs of the past four decades sung in the reverential manner usually reserved for cathedral choirs.

Wall Street Crash came together on *Oh Boy!*, the stage show and subsequent television programme, which milked the music of the late fifties and early sixties. A common fondness for singalongs has encouraged them to experiment with a much broader range of sounds, opening with "Kalamazoo," continuing through "Eight to the bar," with an aside of "Mamie" in a barber's shop quartet treatment, and culminating in such rock standards as "Love Letters" and "You've lost that loving feeling." You must have had your fingers in your ears since 1940 not to be affected by some of a very eclectic bunch of songs, nicely put over in a Manhattan Transfer squared style—perhap more like the Circle Line in the rush hour.

Indeed the very weight of numbers reduces the impact. Such close harmonies demand smooth ensemble acting and a few strong personalities to settle the eye. The Crash probably need to thin out before they make a visual impact to fill out the nice noises, although, as usual, Richard Piper is good with the rock and gospel stuff and Jean Jeanie looks too pretty for comfort. There must be a demand for such intelligent entertainment which, with its mix of the familiar and the "I'd like to hear that again," pleases and teases. But before a good idea becomes a paying proposition a tough producer is required to smooth the rough edges and quicken the pace.

ANTONY THORNCROFT

RNCM, Manchester

The Jacobin by ELIZABETH FORBES

The Jacobin, Dvoraks seventh opera, was staged on Tuesday in a co-production with Welsh National Opera, at the Royal Northern College of Music in Manchester. The work, partly comic in the style of Lortzing, partly nationalistic in the way of Dvorak's own *Dimitrij* (his previous opera), is not an easy one for students, but Adrian Slack's production, designed by John Cervenka and sung in English in a new translation by Rodney Blumer, offers splendid opportunities to the College chorus and orchestra, which are enthusiastically grasped—too enthusiastically, in the latter case.

David Jordan, the conductor, draws excellent playing from his orchestral forces, who attack the gloriously melodious score with commendable vigour, but he encourages them to engulf the singers far too frequently, drowning the words. In the circumstances it is impossible to comment on Mr. Blumer's translation, since three-quarters of it remains unheard. The attractive sets, with skeletal metal framework and painted silhouettes to suggest the Moravian village, allows for the instant entrance of the chorus and gives a spacious feeling to the Opera Theatre's stage.

Bohus, the protagonist, far from being a Jacobin, has in fact had to fly for his life from Revolutionary Paris. The dispossessed and disowned son of Count Hrabe, he returns home with his wife Julie to claim his inheritance just as the Count is about to resign his property and power to Adolph, his villainous nephew. The peasant element, Schoolmaster Benda, his pretty daughter Terinka and her lover Jiri, claims most of the first two acts. In the third the Count, after an affecting scene with his unknown daughter-in-law, is reconciled with Bohus. Adolph and his supporter, the pompous Steward who has designs on Terinka, are discomfited.

Rather naturally, in a student performance the youthful couple Terinka and Jiri emerge as the most successful characterisations. Jennifer Sharp, a charming Terinka, sings with vivacity. As Jiri, Graham Macfarlan uses a light tenor lyrically. Benda, a character tenor role, is amusingly played by Philip Creasy, who manages his rehearsal scene, the best-known number in the opera, with great good humour; the chorus reciprocate by singing his Serenade with tremendous verve. Stephen Briggs (Bohus), Patricia Cameron (Julie) and Paul Hodges (the Count) do their best with roles requiring larger voices and greater stage experience.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMMUNICATIONS

Keeps everyone in contact

MULTITONE has chosen Comms 80 Exhibition (Birmingham April 15-18) to launch two new pagers.

Digitel 90 provides rapid access to up to 1,000 receivers with no need for paging control centre or operator, and effectively converts every telephone extension into a paging terminal.

The initiator of a call simply dials an access number on the internal telephone, the number of the pager to be called, an alert tone coding digit and the numerical message to be displayed on the pager.

A new digital radio paging receiver, the RB160, provides a large, easy-to-read numerical display, a range of distinctive acoustic call-codes ("beep signals"), a loudspeaker for high-quality voice reproduction and "vibrator alert" as an alternative to sound where ambient noise levels are excessive.

The RB160 is suitable for use with systems of all sizes: from less than 10 receivers to as many as 10,000. Up to four pagers can be called every second, thus enabling the RB160 to meet the requirements of large and busy systems. The pager also has call memory and "silent alert" facilities, an "out-of-range" warning and the ability to receive group alert calls.

It was developed from RB151, a digital pager, with numerical display, widely used throughout the world.

Other equipment on show will include the Access 1800 radio paging system, which offers either single- or dual-channel operation on one or more frequencies. A choice of two-tone or digital call code formats is also available, depending on the types of pagers and system capacity required. Several users can share one system, each user having access through his own control facilities.

Multitone Electric Company, 6-28, Underwood Street, London N1 7JT. (01-253 7611.)

● AUTOMATION

Compact controller

HAVING SOLD over 100 of its powerful MPC80 process controllers to a customer list that includes ICI, Shell, BP and the CEGB, Negretti and Zambra has moved down market slightly with the MCP85, a compact microprocessor driven system which can handle up to 32 control loops to provide real time batch or continuous control, sequencing and data logging from as little as £250 per loop.

Front panel of the machine contains 24 function buttons which can be programmed to suit the application, numerical keyboard and a six line display.

The controller is shipped with all the necessary standard operating software ready for the user to key in the information for a dedicated application. However, within the total of 64k of memory are user programmable PROM and the machine is unusual in having a built-in PROM programmer.

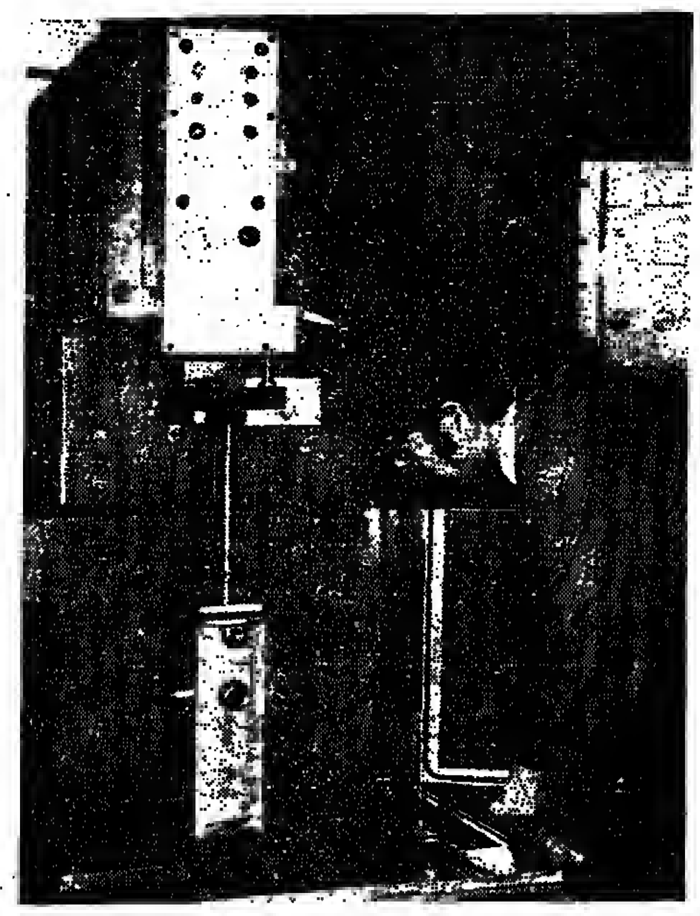
Apart from a real time executive program the standard software includes an on-line editor which allows the plant engineer to write new control programs while the unit continues to control the plant.

Also included is an engineer's programme which allows the set points for temperature, level and so on to be altered. In all, the MPC85 can run up to 16 programs and 15 sub-programs each having up to 64 steps. One of these can be devoted to communications with a host computer while another will enable the number of functions in the user's database to be altered.

In terms of process parameters the software meets the customary needs of linearisation, three term control, sequencing and floating point variables.

Negretti and Zambra is at Stocklake, Aylesbury, Bucks. HP20 1DR (Aylesbury 5931).

● METALWORKING



Setting up a copper electrode and the brass casting for a microwave guide chamber at Multibore (Spark Erosion), Luton, before machining the inside of the chamber by deep sinking electric discharge in a tank of oil. An Agie 20-20 machine supplied by Matchless Machines, Bletchley, is used to machine the inner wall of *the 14 in long casting* to a squareness of .002 in. The company specialises in one-off work of this kind and in using EDM (electric discharge machining) on all types of electrically conductive materials, not just on the very hard materials with which the technique is normally associated. Matchless will be showing the British made Agie 10-20 and 20-20 machines at Mach 80. The company is at Horsham 60271.

Fast gear production

IDEAL for the high speed precision manufacture of spur and *helical* gears, worm gears, spline shafts, sprockets, ratchet wheels, serrations, and other profiles a new gear hobber is to be marketed by W. E. Norton (Machine Tools).

Norgear 200 has a solidly-constructed hob head with wide prismatic slideways, permitting heavy duty cutting combined with maximum stability.

Ample power of 7.5kW *(10 hp) from the main drive* and hob speeds up to 500 rpm allow the use of carbide hobs.

Automatic hob shift, ensures even distribution of wear along the whole length of the hob, thereby increasing cutter life between regrinds and reducing idle cutting times caused by hob changes.

Full automatic cycles for both conventional and climb hobbing are fitted, incorporating operation of the hob shift, coolant supply, and tailstock, and stopping of the machine at the completion of the work cycle. A radial in-feed for cutting worm wheels is also provided.

The machine accommodates a maximum workpiece diameter of 205 mm (8 inches) a maximum face width of 104 mm (5½ inches), and has nine spindle speeds from 80 to 500 rpm.

W. E. Norton (Machine Tools) Gear Division, West End Road, High Wycombe, Bucks. Telephone 0494 26222.

● TRANSPORT

Stronger roof hatches

SHOULD A coach be involved in an accident which causes it to roll over, its roof hatch would seem to be the most vulnerable area for impact. A company which has examined this possibility is offering a new range of roof hatches for use in coaches and other public service vehicles.

Constructed from a double skin of thermoplastic material combined to give exceptional strength the hatches are fitted with mechanisms which give a range of 10 positions (from fully closed to fully open) and an emergency mechanism which allows the hatch to be used as an escape exit.

The top is retained by a cord after release to prevent the hatch falling off the vehicle if mis-used when the vehicle is in motion, and the escape mechanism can be re-set without special tooling, says Widney Engineering, Plume Street, Aston, Birmingham (021-327 4730).

● PROCESSING

High output clarifier

SELF-CLEANING clarifier, type SA 160, has been introduced by Westfalia Separator as an economic replacement for two or three conventional sized clarifiers in the food, beverage, chemical and pharmaceutical industries.

It is claimed to be the largest made, with a bowl weight of *approximately 2,000 kg* and a solids holding capacity of 58 litres. The clarifier has a throughput capacity of 150 cubic metres per hour.

Cost of installing the one clarifier is much less than that of installing two or more smaller units, making the SA 160 particularly suitable for the continuous clarification of large volumes of product streams.

Smooth, vibration-free operation will prolong machine life and this has been achieved with a completely new concept of drive and installation method where the motor is mounted on a separate frame to eliminate vibration transfer and minimise maintenance costs.

The hydraulic system of the self-clearing bowl allows solids to be ejected at maximum speed under full control of a stored programme timing unit with visual display.

Westfalia Separators, Habig House, Old Wolverton, Milton Keynes, MK12 5PY. 0908 313366.

● INSTRUMENTS

Detects level of fluids

LIQUID level detectors which will find the height of liquids to an accuracy of ±0.5mm in clear, coloured or opaque containers, without the use of gamma ray techniques, are offered by Hiltcroft Packaging Systems, Knutsford, Cheshire.

Liquid level detection with this equipment is based on the use of non-contact infra-red detectors. *Light signals* utilised in the detection process are modulated and are thus independent of ambient light levels. The system will meet a wide range of level detection requirements including liquids which are almost transparent in the visible spectrum.

The level detection can set acceptance limits about a predetermined mean level. Three operating modes can be selected, giving error indication when the liquid level is outside acceptance limits; in under-fill condition; or in the over-fill condition. To achieve optimum sensitivity when applied to the opaque plastic containers, an automatic compensation facility is incorporated which will cover posible variations in either thickness or density of the container wall. Accuracy is not affected by foaming of the liquid.

Depending on the line conveyor speed and the shape of container being checked, the new Hiltcroft *level detector* can be employed at production rates up to 24,000 containers per hour. Missing cap detection facilities are available as optional ancillary equipment.

Hiltcroft on 0565 3504.

Frequencies at a touch

DESIGNED AND manufactured in the UK plant of Gould Instruments is an easily used synthesised signal generator from which any frequency from 10 kHz to 200 MHz can be obtained by setting a few switches.

There are very few rotary controls. Frequency is set by using six thumb wheel units of a geared design which makes adjustment rapid and simple, the frequency appearing on both the thumbwheel windows and the LED display above.

Source is an oven controlled crystal oscillator giving a resolution of 0.1 Hz to 100 Hz over the range. Standard output is one volt and this can be reduced by 119 dB in one decibel steps down to a mere 1.1 microvolts—these low levels becoming increasingly in demand for testing modern highly sensitive radio receivers for example. All modulation types can be switch selected.

A specially useful facility is that of stepping the frequency in settable amounts over a particular band. For example, the step can be set to 12.5 kHz for the rapid testing of recently designed close channel spaced VHF/UHF receivers. The steps can be anywhere between 0.1 Hz and 100 kHz.

The instrument can also be remotely programmed over an IEEE 488 bus and can be connected into automatic test systems.

Known as the SSG220, the unit measures 428 by 132 by 390 mm and weighs 13 kg.

Gould Instrument Division is at Roebuck Road, Hainault, Essex 1G6 3UE (01-500 1000).

● DATA PROCESSING

Prime gets a fillip

PLANNING Research Corporation International (UK) has reached agreement with Prime a fast-growing minicomputer manufacturer, giving PRCI (UK) a sole dealership of Prime Information Systems in the UK. At the same time PRCI is offering a range of business packages on this series which have been developed by Price Waterhouse and PRC's own subsidiaries.

The Prime machines offer plug compatible upgrades to the Microdata range with an immediate improvement of 3 to 6 times the throughput from the smallest system.

In addition PRCI (UK) is offering turnkey systems services based on Prime's 50 range plus an extensive selection of its own applications software for manufacturing, transport management information, telecommunications and message switching, process control, police systems and combined data-text processing systems.

PRCI's sole dealership agreement with Prime will give the latter an enormous fillip, even though it has been growing very fast in the UK. From 1978 with £6.3m sales advanced 43 per cent to £9m last year.

PRCI is offering the Trips system on Prime. Trips is one of the most comprehensive transport planning packages available, containing many analytical capabilities including survey analysis, model building, network analysis and system evaluation.

Trips has been developed over a period of 15 years and contains over 70 fully compatible programs for work from highway system planning to sub-area analysis, land use planning, and matrix manipulation.

PRC, St. Georges House, 9-11 Church Street, Twickenham TW1 3NE. 01-891 4021.

● COMPONENTS

Variable speed drives

A range of variable speed drives marketed under the Revmaster brand name is based on the use of 5 sizes of variable speed modules which accommodate electrical motors of from 0.55 kW to 15 kW at 1425 rev/min. Output speed ranges of up to 6:1 can be supplied.

Variation is achieved by the use of a variable pitch circle diameter (pcd) pulley and belt principle. Adjustment of a handwheel varies the pcd of the pulley attached to the motor shaft, causing the belt to move *up or down* the pulley sheave. Simultaneously the other pulley of the pair, which incorporates a diaphragm spring, automatically compensates for the movement of the motor pulley ensuring retention of the belt tension. In fact, it looks a bit like a DAF transmission.

Hawker Siddeley, 32 Duke Street, St. James's, London, SW1Y 6DG. 01-930 6177.

Document preparation aided

NOW AVAILABLE for use with the Nascom 1 and 2 microcomputers is a text editing and formatting package intended for use with 16k of random access memory.

It is aimed at users who want to enter text into their machine and then print it, or alternatively save it on tape for reference.

Main uses would be in the preparation of documents, drafts, repetitive letters and price lists.

The package is called Naspen and since it is aimed at inexperienced operators all the commands are direct acting and involve a single character only. It is supplied in a pair of erasable programmable read memory chips.

Nascom Microcomputers is at 92, Broad Street, Chesham, Bucks.

THE BUDGET: THE CHANCELLOR'S SPEECH

Public spending cuts · Dearer medicines

SIR Geoffrey Howe, presenting his Budget yesterday, said Britain's difficulties were so deep-seated as to make tough policies unescapable. His proposals for a further slowing down of monetary growth imply a Public Sector Borrowing Requirement of £8.5bn next year. If inflation was not tackled "stability and prosperity will continue to elude us," he said.

Sir Geoffrey Howe, the Chancellor of the Exchequer, checks his watch and prepares to leave his room in the House of Commons, to deliver his Budget speech.

Terry Kirk

"In my Budget speech last June, I said that the economic situation that we inherited was a difficult one. And I stressed that it would take time to check, and then reverse, Britain's long-run economic decline. Time — and resolute commitment to the right strategy, for a period of years ahead. It is important for that strategy to reflect the right lessons of years of disappointing economic performance.

"Even in the 1950s and early 1960s our economy was lagging behind those of our competitors. But it was a period of low inflation and rising growth rates. Seen in retrospect, that period was something of a golden age.

"That was not, of course, the feeling at the time. From the mid-60s onwards we became impatient to throw the resources of Government into efforts to do better, quicker. In rapid succession we had a national plan for faster growth, devaluation, incomes policies, recurrent bouts of intervention in industry — and much else.

"The increased scale of Government borrowing from the mid-1970s as compared with the 1950s and 1960s is an example of the impatience to which I have referred. Governments became increasingly addicted to deficit spending.

"This was particularly true of the United Kingdom at the time of and after the first world oil crisis. Memories of the monetary and inflationary implications of what the Government did then are still vivid.

"Eventually it began to be recognised, as indeed the Leader of the Opposition said in 1976, that we can no longer spend our way out of recession. But although this break-through of realism had begun, the change in attitude has not gone far enough. Not everyone has yet accepted that public expenditure cannot go on growing, while the economy stagnates.

Money supply

"Those years of often hectic Government action were equally notable for other things that did not receive the attention they deserved. As well as misjudging the importance of money supply and its proper control, we often paid no more than lip service to the role of private enterprise, and to the importance of economic change as an agent of prosperity. Successive governments acknowledged the need to reduce the power and privilege of organised labour. But in the event, its ability to damage the economy has increased.

"The outcome is familiar to us all. Our underlying rate of growth has become steadily weaker. At the same time, we have come almost to tolerate inflation at rates which would have horrified an earlier generation.

"The measures taken following the agreement with the International Monetary Fund in 1976 provided a brief respite. The public sector borrowing requirement fell, monetary growth declined, pay settlements moderated. The inflation rate came down in 1977 and 1978. But the lesson was not well enough learned.

"The money supply was again allowed to expand too fast, partly through excessive intervention in the foreign exchange markets. Fiscal policy was eased and the situation deteriorated again.

Collapse of policy

"During the 18 months to last June, the underlying growth rate of sterling M3 was nearly 15 per cent a year. This compares with the much more modest rate of about 8 per cent in the year after the IMF measures. The incomes policy of the previous Government had collapsed. Earnings also grew by at least 15 per cent a year.

"Not surprisingly, it was consumer spending which gained most from this combination of monetary expansion, tax cuts and high pay settlements. In the year before the election, the volume of consumer spending rose by more than 5 per cent a year. That was much too good to last.

"There was, indeed, a big price to pay for that short burst of apparent prosperity. Production failed to respond to the surge in demand. Imports, especially of manufactures, rose sharply. The current balance of payments, in surplus after the IMF agreement and helped by North Sea oil, moved back into deficit. And inflation moved sharply upward.

"Last year we made an important start on tackling that inheritance. We set about reducing the rate of monetary growth. We achieved large reductions in dangerously oversize public spending plans. We reduced the share of Government spending and borrowing in the nation's output. And when, last November, the money target looked like being exceeded, we acted promptly and decisively.

"We have removed many unnecessary controls and obstacles to enterprise and individual effort: controls on pay, prices, dividends; and on foreign exchange, which can now be used freely to acquire productive assets overseas, to the benefit of our exports and invisible earnings alike.

"My first Budget switched the tax burden from earnings to spending—and greatly reduced oppressive tax burdens on enterprise.

Slowdown in growth

"But during the year that has just ended we have had to contend with a further major increase in world oil prices, and with a substantial rise in the price of other commodities. The strength of sterling has to some extent cushioned their impact on domestic inflation. Even so, the price of oil and other inputs to manufacturing industry has risen by 41 per cent since the beginning of 1979.

"The rise in the oil price has also had severe effects on the world prospect generally. The outlook in the coming year is for a significant slowdown in growth and a worsening of inflation everywhere.

"The year on year increase in consumer prices in OECD countries rose from about 10 per cent on average in mid-1979 to 14 per cent by the beginning of 1980. Every major country is demonstrating its determination to resist this inflation by adopting a firm monetary and fiscal policy. The inevitable immediate result is lower output and higher interest rates.

"Since early last summer rates in the major industrial countries have risen by 6 percentage points on average in the major industrial countries. This is much the same as in the UK over the same period. The increase has been even more marked where the dollar is concerned. Between May last year and the end of last week, Euro-dollar three month rates rose by over 8 per cent to 19 per cent.

"That is part of the background against which to judge the poor short-term economic outlook for the United Kingdom. The Treasury projections published today suggest that output may fall in 1980 by up to 2½ per cent. This is more or less in line with outside forecasts.

"It is important to understand the significance of this recession. There are some who argue, or at least seek to imply, that it is an entirely avoidable development, something which need not be inflicted upon the British economy.

"Others seem almost happy to suggest that, as far from being avoidable, this recession is no more than a foretaste of much worse that is to come. Some uniquely critical pessimists contrive to convey both impressions at the same time.

Medium-term strategy

"The right view to take is that it is in part a consequence of the weakness in world demand, in part a consequence of our own inflation—still well in excess of the money supply target—and in part, perhaps most of all, a consequence of the long run decline of our economy.

"These influences are not insuperable. We can most certainly get through the difficult year or two that lie immediately ahead. The important thing is not to allow the difficulties to prevent us setting our feet on the right long run path.

"This is one of the reasons although by no means the only one—why I intend to consolidate the start which I made last year, by publishing today the Government's financial and monetary strategy for the medium term. This strategy is contained in Part II of the Financial Statement and Budget Report—better known, perhaps, as the Red Book.

"This strategy is by no means to be confused with a national plan. For it is concerned with only those things—very few of them—which the Government does actually have within its power to control.

"The strategy sets out a path for public finance over the next few years. At its heart is a target for a steadily declining growth of the money supply, that is set alongside policies for Government spending and taxation which will underpin that objective.

"It will be clear from what I have already said that the Government continues to regard the fight against inflation as the first priority. It is an illusion to suppose that we have any real choice between defeating inflation and some other course. It is quite wrong to suppose that inflation is something with which only Treasury Ministers need be concerned.

'THE GOVERNMENT continues to regard the fight against inflation as the first priority. It is an illusion to suppose that we have any real choice between defeating inflation and some other course.'

"So long as it persists, economic stability and prosperity will continue to elude us. And so, too, will social coherence. Nothing, in the long run, could contribute more to the disintegration of society, the destruction of any sense of national unity, than continuing inflation. For inflation sets worker against worker, employer against employee, and sometimes even Government against its own employees.

"The violence of the picket lines, last winter's examples of hospital patients denied supplies and of the dead denied burial, would have been unthinkable 20 years ago. They reflect the social disintegration caused by inflation. This is why the conquest of inflation is so important.

"And in the defeat of inflation, monetary policy has an essential role to play. Other countries recognise this very clearly. They recognise, too, that sustained monetary restraint is not an easy, automatic or painless solution. But they are convinced it is essential.

"They are struggling to get back towards more balanced budgets, as we must. They recognise, as we must, that inflation cannot persist in the long run unless it is accompanied by an excessive expansion of money and credit. That is at the heart of what "monetarism" means in practice.

"It is a great pity that its practical, commonsense importance has been so confused by arid, theoretical dispute. It should never have become a term of political abuse—least of all for use by those who have in the past claimed to make a virtue of practising it.

"It is an illusion then to suppose that there is any real alternative to the strategy I have outlined. Some commentators seek to blame our present difficulties on the pursuit by Government of unnecessarily tough policies. That is totally to misunderstand the position."

Undermine confidence

"Britain's present difficulties are so deep-seated and serious as to make tough policies inescapable. Relaxed monetary and budgetary policies might bring higher output, even higher living standards, in the very short run—though even that is questionable. But in reality they would simply fuel fresh inflation.

"Such policies would inevitably undermine the confidence of financial markets, industry and consumers. The action which would then be necessary to deal with the ensuing crisis would, equally certainly, destroy jobs and cut living standards still further.

"Restraint of the growth of money and credit is then essential. And it needs to be maintained over a considerable period of time in order to defeat inflation. That underlines the importance of the medium term financial strategy.

"This strategy, as I have said, sets out a four-year path for monetary growth, public spending and tax policies.

"I deal first with the monetary targets.

"By 1983-84, the last year covered by our spending plans, the target rate of growth of money supply will be reduced to around 6 per cent—just half the rate of growth over the past year.

"In keeping with that medium-term monetary objective, the target range for the growth of sterling M3 in the period to mid-April 1981 will be 7 to 11 per cent at an annual rate. The base for this will be the most recent published figures. The target will thus relate to the 14 months from mid-February this year.

"I am glad to say that monetary growth has already begun to slow down.

"In the first four months after the Budget, sterling M3 continued to grow at the excessive rate—over 14 per cent—which we inherited. But in the succeeding four months it fell to an annual rate of 10 per cent. Moreover, in the earlier period, sterling M3 growth had been below that of other measures of the money supply.

"Currently, however, all the other measures, M1, total M3 and the various indicators of wider liquidity, are growing less rapidly than sterling M3.

"The narrow measure, M1, actually fell over the last four months. So the turndown in the growth of sterling M3 probably understates the extent to which the measures in the last Budget and those I took in November, have already brought monetary growth under control.

This year's target will consolidate the substantial slow-down in the underlying rate of growth. At the same time the Governor and I have agreed that the supplementary special deposits scheme — generally known as the "corset"—should not be extended beyond mid-June when the present guide-line ends.

"One of the effects of the corset has been to encourage the development of credit channels just outside the banking system, such as the purchase of bank acceptances by the private sector. This process will be reversed to some extent when the corset ends. So sterling M3 will be swollen as earlier distortions unwind.

Increase in sterling M3

"The increase in sterling M3 on this account will not however signal a change in underlying monetary conditions. The scale of this exceptional increase cannot be precisely measured or predicted, and we will need to assess its effect both as it occurs and when the target is rolled forward in the autumn. If, as I hope, it can be accommodated within the target I have just announced, that will point to a further slowing down of monetary growth.

By any standards this is a firm monetary policy. But it is an essential response to the inflation rate. As I have shown earlier, there is nothing unique to this country about what I have proposed. Other countries faced with similar problems have adopted similar remedies, as is shown by the determined measures introduced in the United States a fortnight ago.

"It goes without saying that to accompany these policies we need to have efficient methods of monetary control. We already have the means to meet our medium term objectives.

"The Green Paper on Monetary Base Control which I laid before the House last week will provide a basis for public discussion of how to improve control over short periods. The Governor and I hope to hear a wide range of views before deciding whether any further changes should be made.

"The recent pressure on companies has resulted in a strong demand for bank lending, which has contributed to the upward pressure on both money supply and short term interest rates. I am sure banks and their customers would be well advised, in the difficult economic conditions foreseen, to be cautious about the scale of their lending and borrowing. When the growth of bank lending falls back, this will add to the downward pressure on interest rates from today's measures.

Reduction in borrowing

"But it is not intended to achieve this reduction in monetary growth by excessive reliance on interest rates. The Government's Financial Strategy, therefore, plans a substantial reduction over the medium term in Government borrowing as a percentage of national income.

"The relationship between the budget deficit and the growth of money supply is not a simple one. It is erratic from year to year. But there is no doubt of its importance, or that Government borrowing has made a major contribution to the excessive growth of the money supply in recent years.

"The consequence of excessive borrowing has been high nominal interest rates and, in capital markets, the crowding out of business by the State. This has held back investment.

"From now on, however, given the shape of the Government's plans for public expenditure, the budget deficit should be reduced progressively to between 1 and 2 per cent of output. This would be a little below the average in the 1960s.

"During a recession, of course, it is widely recognised that the budget deficit is increased by low tax receipts and high Government spending.

"Some increase in the ratio of the PSBR to the national income may be consistent with the maintenance of a given monetary target and without itself requiring increases in interest rates. But in practice, public sector borrowing has been too high during the last two years, as experience has shown.

"That lesson, and the continuing high inflation rate make a big cut in the underlying deficit imperative this year.

"In 1977-78, following the agreement with the International Monetary Fund, the public sector borrowing requirement as a percentage of output was 3.75 per cent of national income. In 1978-79, after the last Government's relaxation of policy, it rose to 5.5 per cent. In 1979-80, it has probably been around 4.75 per cent; in money terms the latest estimate is just over £9bn.

"Despite the expectation of recession, experience shows that it would be wrong to keep the actual PSBR at its current level as a percentage of national income.

"This could not be reconciled with the monetary target or with the counter-inflationary objectives of the medium-term strategy. We must not make the mistake of promising to correct the underlying weakness at some time in the future—but failing to take the necessary steps today.

Tighter stance

"The monetary target that I have announced for the coming year will involve a substantial further slowdown in underlying monetary growth.

"If we are to meet that target without putting too much of the burden on interest rates, a Public Sector Borrowing Requirement of not more than 4 per cent of national income in 1980-81 is appropriate. This would imply a money figure for the PSBR next year of not more than about £8½bn.

"Today's proposals will leave the total yield from taxation not much changed. Taking account of the effect of inflation over the past year, and of the Government's public expenditure decisions, this represents a tightening of the budgetary stance.

"Indeed, in the absence of the substantial cuts in public expenditure since my last Budget, a very large increase in the burden of taxation would have been unavoidable.

"The Government's spending plans are published today in the Public Expenditure White Paper. They are essential to the financial strategy.

"The path we now plan contrasts very sharply with past experience and intentions. We are not making panic cuts affecting the next year or two, leaving the long-term trend unaltered. We are not just reducing planned increases.

"The level of spending is actually planned to fall steadily throughout the next four years. Without these economies, a coherent policy to reduce inflation would be unattainable.

"Over the next few years receipts of taxes and royalties from North Sea operations will make an increasing contribution to Government revenue. Even so, the growth of revenue over the medium term is broadly dependent upon the growth of national output.

"This is conditioned by the growth of productivity, the growth of the world economy, and the speed with which we reduce inflation.

"Since the first oil crisis in 1973, there has been a world-wide decline in rates of economic growth. The growth of output in the UK has been less than half its previous rate—in spite of the contribution of North Sea oil.

"The recent rise in oil prices makes it unwise to assume that world and UK output will expand faster over the next few years than in the past five.

Cautious approach

"The projections for tax revenue in the medium term strategy therefore rest on the fairly cautious assumption that, after the recession forecast for 1980, the economy will grow by an average of only 1 per cent a year up to 1983-84.

"This will undoubtedly seem rather modest. The economy should be capable of growing faster than this. But we must learn from recent history.

"In the past, governments have almost always based their spending plans on improbably high growth rates which were well above those achieved. To plan spending on over-optimistic growth assumptions can involve actions which, in the event, prevent that forecast growth being achieved.

"We should only take credit for improved growth performance once we have firm evidence that it has taken root. So, in preparing projections of the future of the economy, we must adopt a cautious approach.

"The Government cannot dictate the rate of growth of output. It is only as inflation subsides that there will be secure foundations for sustainable growth.

"The 1 per cent-a-year we are assuming is the same rate as was achieved in the years 1973 to 1979. We cannot prudently assume that we shall do better over the next few years, though we have every reason to hope that we can.

"The sooner inflation comes down, the faster the rate of growth we can achieve within the monetary framework.

"A firm monetary policy, as the past year has shown, contributes to a strong exchange rate. Furthermore, sterling now has some of the characteristics of a petro-currency.

"A strong exchange rate plays an important part in diminishing inflationary pressures. But, at the same time, it obliges UK industry to restrain costs and improve its competitiveness. That requires a fundamental change in attitudes.

"If we are to master inflation, the adjustments required of all of us are difficult, but perfectly feasible. We should beware of the fashionable but misleading parallels with what happened in 1974 and 1975."

Lesson to be learned

"Over the years we have sunk into an unquestioning 'cost plus' mentality, where the impression is given that whatever wage increases are agreed can simply be passed on to customers. But exporters have been learning that their prices must be related as closely to their competitors' prices as to their own costs.

"The same lesson has to be learned in pay negotiations. Just as exporters must base their prices on what their customers will pay, so pay settlements must be based upon what companies can afford while staying competitive.

"There is a need for a much greater public awareness of the link between pay increases, price inflation and unemployment. This subject has already come up on the NEDC forum, and we shall be returning to it again at future meetings.

"The more pay settlements can be moderated, the lower the transitional costs of the fight against inflation in terms of bankruptcies, lost production and reduced employment.

"It is still a widespread, if tacit, assumption in too many places that if wages and prices go up fast, the exchange rate will fall before long and restore any loss of competitiveness. This rests, not unreasonably, on repeated experience.

"But the authorities are no longer in a position to engineer a major reduction in the exchange rate in order to bail out those who have sought and granted excessive pay claims. Even if we could do this, it would create more inflation before long.

Damaging rigidity

"It is not only in collective bargaining and selling overseas that we must move away from a blind attachment to cost plus and the idea of full protection against RPI movements. The problem goes far wider.

"There are many parts of our economic life where it is right to take some account of inflation. But a very damaging rigidity has grown up in how we do it.

"For example, until recently public spending programmes were controlled entirely in volume terms without regard to changes in their costs. With cash limits an important step was taken away from an increasingly harmful practice.

"Again it has been assumed that the real value of all social security benefits must always be maintained whether production and incomes go up or down. This places the entire burden of adjustment on to the working population.

"They, for their part, have responded by pressing for the income tax system to be fully indexed—and by adding to their demands for higher wages. Inevitably, a substantial part of the burden of adjustment then falls on profits, and so on jobs.

"So long as inflation persists, there has to be some measure of price protection in relation to social benefits and taxation in a civilised society. But full protection for some is only possible at the expense of others.

"The proposals in this Budget recognise both the need to offset some of the effects of inflation, and the fact that it is impossible to maintain the real value of all personal incomes when total national income is likely to fall.

"If we are to master inflation, the adjustments required of all of us are difficult, but perfectly feasible. We should beware of the fashionable but misleading parallels with what happened in 1974 and 1975. They are merely a recipe for self-fulfilling pessimism.

Wage settlements

"After the oil price increases of 1973-74, our inflation went on rising for two years, reaching a peak year-on-year rate of 26 per cent in the autumn of 1975. The oil price increases in the second half of 1979 have been just as large. But this time we have a good chance of seeing our inflation rate decline in the latter part of 1980.

"Monetary growth is now under better control. Unlike then, we have no backlog of inflation in the system caused by earlier falls in sterling. There are encouraging signs of realism in private sector wages settlements. This is clear, for example, from information provided by the CBI data bank, and from evidence of settlements linked to genuine productivity deals. The underlying rate of inflation over the last six months is well below the present year-on-year rate.

"Projections of growth and tax revenue can only be illustrative, and imprecise. But those published today show that for the first time the Government of the day has coherent policies for money, tax and spending for the medium term.

"There should be scope simultaneously to reduce Government borrowing and to lower taxes, including progress towards a 25 per cent rate of income tax.

"Publication of this strategy will assist decision-makers throughout the economy to work with the grain of the Government's policy, understanding the limits it imposes and the opportunities it presents.

"This strategy is the best foundation for higher growth, fuller employment and a return to rising living standards.

"At the heart of the medium-term strategy is the need to return to a sensible level of public spending and to see taxes and Government borrowing reduced.

"The spending plans which this Government inherited were too high and were set to grow considerably faster than production.

"Most aspects of public spending are worth while, if the nation can afford them. But, too often, we have endorsed plans for rising expenditure that we cannot afford. In the last 20 years the ratio of public expenditure to GDP has risen by a quarter.

"It would be all too easy for this ratio to go on rising indefinitely unless we addressed ourselves to fundamentals. That is what we have done in the most far reaching review of medium-term expenditure plans since they began 20 years ago.

Many tax proposals

"This review is crucial to the strategy. Crucial to success in reducing the PSBR, lowering interest rates, and bringing down inflation. And crucial if we are to find room for lightening the tax burden and so to provide scope and encouragement for enterprise and initiative.

"The results are set out in the Public Expenditure White Paper published today. Publication of plans for expenditure at the same time as those for taxation has long been widely favoured.

"The happy coincidence of the two on this occasion is mainly due to the time needed to review inherited expenditure plans fully. But it has enabled me to present together the Government's strategy for expenditure, taxation and the money supply in a way not attempted by my predecessors.

"I should say that one other result of this coincidence is that I have an unusually large number of tax and expenditure proposals to announce in this speech. Details of these are contained in press notices which are being issued today, an index to which can be found in the Vote Office.

"The plans in the White Paper show, for the first time ever, a progressive reduction in total expenditure throughout the lifetime of this Parliament.

"By 1982-83 they are over 11.5 per cent below those inherited from the previous Government. This reduction works out at over £11bn at today's prices.

"Expenditure in 1983-84 is planned to be about 4 per cent lower in real terms than in 1979-80. The effect will be a marked shift in the burdens imposed by the Government and in the balance between the public and private sectors.

"Above all, we shall have set the volume of public spending on the right course. We shall be creating a climate much more favourable to economic growth.

"In the coming year, 1980-81, the reduction from the amount our predecessors planned to spend is over £5 billion at today's prices, roughly equivalent to the revenue raised by an extra seven pence on the basic rate of income tax.

"Since the White Paper published in November, further net reductions of over £900m have been decided for the coming year. The Government have thought it prudent, however, to set aside £325m of this for the Contingency Reserve. It should not be necessary to spend it all.

"These decisions reduced planned spending in 1980-81 by at least £575m at current prices. Special sales of assets planned

Continued on next page

Duty increased on petrol, alcohol, tobacco

Continued from previous page

for 1980-81 remain at the £500m mentioned in the November White Paper. This compares with the £1 billion target for 1979-80 announced in my budget last June. In the event a total very close to £1 billion has been raised in this way.

Private initiative

"In today's circumstances any government would have to check the size and growth of public spending. This does not mean, and has not meant, that public expenditure should be cut indiscriminately.

"Our choices have been guided by the belief that government should provide efficiently and realistically those services which it alone is able, and best fitted, to provide. The role of the State can sensibly be reduced where it has taken over what private initiative can better achieve; and where it has been reducing incentives, increasing bureaucracy and distorting markets.

"Only the State can provide adequately for the defence of its citizens against external and internal threats. The armed forces and police need to be strengthened and improved. Expenditure on defence, law and order, therefore, is planned to grow—defence by 3 per cent a year in real terms up to the end of the period, law and order by 2½ per cent a year.

"Spending on health will continue to grow exactly as planned by the last Government, at about 2 per cent a year over the period. The cost of this increase will be partly offset by increases in charges, including in particular a £1 prescription charge from next December.

"These charges will yield in total about £30m in a full year. The present wide range of exemptions is maintained so that, for instance, the elderly, children under 16 and those on low incomes will be unaffected.

"But support from the taxpayer for private and nationalised industries is reduced. Provision for housing is reduced. This reflects both the local authorities' own reduction in building programmes and what the nation can afford in public sector housing investment and subsidies.

"The reduction in the education programme reflects a fair and sensible response to falling school rolls, and a continuation of the economies to be made in 1980-81. Whilst the number of pupils is expected to fall by about 13 per cent between 1979-80 and 1983-84, spending on schools is planned to fall by only about 6 per cent.

"So spending for each pupil will increase in real terms. The aid programme is also reduced, but remains substantial. It will now be in line with what a country in our present circumstances can afford.

Protecting the weakest

"Social security presents particular problems. This programme has been responsible for three quarters of the total increase in programmes since 1973-74.

"This Government, no less than its predecessors, is committed to maintaining a social security structure which protects the weakest and most vulnerable in our society. But social security is now a quarter of total public expenditure and still growing.

"It cannot be exempt from measures to restrain its growth where these can reasonably be made. Nothwithstanding the changes the Government are making, spending on social security is still expected to increase by nearly 4 per cent between 1979-80 and 1983-84. I shall be returning to this area in more detail in a few moments.

"There are those who sometimes *speak as* if *all* our problems with public expenditure could be solved by reducing bureaucracy while leaving subsidies and services untouched. The process of securing economy cannot be as painless as that.

"It is easy to forget that the entire cost of the civil service represents only one-fifteenth of public expenditure.

"Even so, it represents a substantial cost. At the beginning of this administation the Civil Service was larger by 40,000 than when we left office. Between 1974 and 1979 local government manpower had increased by over 200,000. Total public service manpower had increased by nearly half a million.

"It is no criticism of public servants to say that this could not go on. If it were to continue, then by 1983 over a fifth of the labour force would be employed in the public services.

"Action has already been taken. The last Government made financial provision for a Civil Service of 748,000 at the end of this month. By April 1, 1981—12 months later—the Civil Service will be smaller than that by at least 50,000.

"I cannot yet predict what the size of the Civil Service will be by the end of the present Parliament. But we have made a good start.

"And the revenue departments, I am glad to say, have been playing their full part in this process. The numbers employed in those departments had grown from 87,000 in 1970 to 113,000 when we took office. At that rate, by the year 2000 there would be 175,000 tax collectors, which is more than there are *soldiers in the Army*.

"That process of expansion is now being reversed.

"In 12 months' time the staff of the revenue departments will be over 10,000 fewer than when we took office—a reduction of about 8.5 per cent.

"The staff savings from my Budget last year amounted to some 1,400. And the tax measures I am proposing this year will in themselves enable me to make eventual net savings of 1,700 staff in my departments.

> **"For inflation sets worker against worker, employer against employee, and sometimes even Government against its own employees."**

"So far as the local authorities are concerned, my right honourable friend, the Secretary of State for the Environment, and other Ministers, have been taking steps that will help local authorities to reduce their manpower.

"There is now less detailed interference by central Government—fewer circulars and returns—and a large number of statutory controls are being removed.

Regard to the costs

"But as my right honourable friend the Secretary of State for the Environment pointed out on Monday, progress has been disappointingly slow.

"The planned reductions in expenditure imply a *substantial* reduction in staff over the next four years. The local authorities must now give high priority to achieving this.

"The reductions I have so far described are in the volume of public spending. We must also pay full regard to what it costs. Some of the reasons were eloquently explained to the House by the right honourable Gentleman, the honourable Member for Leeds East on January 25, 1979, when he was still Chancellor.

"On that occasion, the Rt.Hon. Gentleman made an assumption that earnings in the 1978-79 pay round might increase by 15 per cent.

"He said that this assumption, which he described as *pessimistic*, would *increase* the cost of central Government and local authority services by £1bn each in 1979-80 and raise the costs of the nationalised industries by nearly £1bn.

"'Faced with such increases,' he said, 'the Government would be compelled to seek reductions in the volume of public expenditure.' He emphasised that this would inevitably increase unemployment.

"We know that the Rt.Hon. Gentleman's *assumption* about the likely growth in earnings proved all too true. Moreover, his own administration left behind some large post-dated cheques.

"The Clegg awards are expected to cost something like £2bn in 1980-81; and the full-year effect of other comparability awards in the Civil Service will add a further £1bn to that.

"Public services and employment cannot escape the effects of inflation. Cash limits are the crucial instrument for ensuring that the costs of public expenditure do not run out of control.

> **'PUBLIC services and employment cannot escape the effects of inflation. Cash limits are the crucial instrument for ensuring that the costs of public expenditure do not run out of control'**

"For central Government expenditure, most of the cash limits for 1980-81 are contained in the Parliamentary estimates, *published* today. As already announced they are based on provision for current cost increases of 14 per cent.

EEC budget

"When the estimates were being prepared, this seemed an adequate allowance for inflation between 1979-80 and 1980-81. The projection I am publishing today suggests, in line with those of most outside forecasters, that inflation may be a point or two higher.

"To increase the provision in the cash limits to accommodate the higher forecast of cost increases would be wrong.

"That would simply be to condone and encourage inflation. The difference between the provision in the cash limits published today and full provision for the inflation now forecast would be about £700m.

"There should be scope to absorb such higher costs through greater efficiency. It will not be easy. But the unacceptable alternatives would be to cut services or increase taxes.

"In an important respect the reductions announced today are not complete. This country carries a heavy burden of Government payments overseas: first, spending on defence, especially the British Army of the Rhine; second, our net contribution to the European Community; and third, overseas aid.

"Relative to our GNP, we spend more across the exchanges on defence than any of our NATO partners: we make far the largest net contribution to the EEC budget: and our aid programme is larger than those of the United States, Japan or Germany.

"One result of the growth of these transfers has been to offset a large part of our substantial private sector earnings on invisible account of the balance of payments.

"Of these transfers overseas, the fastest growing and least justified has been our large net contribution to the Community Budget. Although ranking seventh out of the Nine in GNP per head, we are now making the largest net contribution.

"The latest estimates by the European Commission again show that our net contribution is much larger than Germany's, whose GNP per head is twice that of the UK; and that most—if not all—of the other five countries with a higher GNP per head than ourselves are net beneficiaries of the budget.

"We also transfer substantial resources to our partners outside the budget through the artificially high prices imposed by the Community's Agricultural Policy.

"The White Paper figures make no allowance for the reductions we are negotiating in the UK's net contribution to the budget of the European Community. Pending a satisfactory conclusion to these negotiations, they include the full estimated costs under present arrangements.

"If those arrangements are not changed, the likely costs will rise to more than £2bn at today's prices by 1983-84. A successful outcome to the negotiations is of the highest importance to our medium term fiscal and monetary strategy and to the success of our attack on inflation.

"The Government's determination to redress the present unacceptable situation has, I feel certain, the support of the entire House.

"I have already stressed the scale and importance of the social security programme. In the coming year it will absorb a quarter of public spending and cost about £20bn—which works out at no less than £1,000 a year for every household in the country.

"Its volume has grown by about 50 per cent in the past 10 years, allowing both for inflation and the switch from family allowances and child tax allowances to child benefit. This is more than three times the 15 per cent increase in GDP over the same period.

"Some of this growth is accounted for by an increase in the number of beneficiaries, particularly the elderly. But much of it has come about, not through any conscious decision, but because the level and scope of benefits have been improved in anticipation of a growth in output which has not been achieved.

"It is a striking example of our capacity for spending money before it has been earned.

"Any effort to curb the growth of public spending must, therefore, include this programme. One must recognise the differences between its various components. The programme covers a big range of benefits and beneficiaries.

Special obligation

"Any changes must reconcile the need, which we all recognise, to protect the most vulnerable members of society, with the need to ensure that scarce resources are distributed in a way which does not unduly inhibit the creation of wealth.

"Standards of living and the benefits people are willing to finance must depend on a healthy, growing economy.

"Any civilised society has a special obligation to those who have completed their working life. The standard rate of retirement pension will accordingly be increased next November by £6.15 to £43.45 for a married couple, and by £3.85 to £27.15 for a single person.

"These increases fully reflect the Government's estimate of the rise in prices between the last uprating and the next. In addition, a £10 Christmas bonus will again be paid.

"Moreover, we propose *substantial* extra help for poorer consumers with their fuel costs next year. Much of this will go to the elderly. My right honourable friend the Secretary of State for Social Services will be giving details tomorrow.

"Again, any civilised society should provide a safety net below which a poor person's standard of living should not fall. We can all debate what is the proper level. Should it be a relative level, or, as Beveridge had contemplated, an absolute level, which seeks to meet the basic needs of a person and his family?

"These are difficult questions. The answers are not made any easier by the fact that the supplementary benefit scheme covers so many varied circumstances, with more than three million beneficiaries at any one time, ranging from the old and infirm to healthy young people capable of work.

"But clearly no action we take should be at the expense of the really weak and needy. Accordingly we propose that supplementary benefit rates, too, will be increased next November in line with the projected level of prices.

"A large part of the additional help with fuel costs which I have *just* announced will *also* go to supplementary benefit recipients, particularly the old and those with young children.

"Besides the old and the poor there are others with special needs. One-parent families face particular problems. We propose that the additional payment to them should go up from £2.50 to £3 per week—an increase of 50 per cent since the Government took office.

"The disabled also face special difficulties. The mobility allowance will therefore go up by £2.50 per week to £14.50 per week next November—again an increase of nearly 50 per cent since we came to office.

Helping the family

"The family income supplement scheme will be improved so as to extend help to a further range of low income families where the bread-winner is in work. These families will benefit as well from the fuel help scheme.

"This demonstrates our determination to look after the elderly and the needy. But there is another aspect to the social security programme. The Government and the vast majority of the British people want hard work and initiative to be properly rewarded and are vexed by disincentives to work. One of the biggest problems is the lack of balance between social security benefits and incomes in work.

"As my predecessor so often reminded this House, the net extra reward to a low earner from going out to work can be so close to the benefits he can get when on social security as to extinguish his incentive to find or stick to a job.

"Indeed there are people whose incomes out of work exceed what they could reasonably expect to get in work. There is undoubtedly widespread and justified public concern about this disincentive.

"It is doubly demoralising: First, to those directly affected; and secondly to the large numbers around them, who quite reasonably see such provisions as unjust as well as harmful to the proper workings of the economy.

"This is a complicated problem which cannot easily be resolved, but the Government are determined to tackle it. To start with, tax.

"Successive Administrations have always intended that short term social security benefits should form part of a person's taxable income, in the same way as pensions and widows' benefits have always done.

"The 1948 legislation said they should be taxable. It is only fair that a man who in the course of the year derives his income partly from work and partly from social security benefits should pay as much tax as a similar man who has earned the same total income. So far, the administrative difficulties have always appeared insuperable.

"Now we are going to act. First, we have the scheme, which my Rt. Hon. Friend, the Secretary of State for Social Services, announced before Christmas, whereby employers would have the responsibility for payment of a *minimum* level of sick pay during the early weeks of sickness. This will bring the bulk of sickness payments into tax through PAYE. This scheme should be operating from April, 1982.

"Second, we intend to bring benefits paid to the unemployed into tax at the same time. This will be done in such a way that in general the claimant will neither receive refunds nor suffer deductions of tax until he *is* back at work.

"We are also considering how best to bring into income-tax at an early date the remaining short-term benefits, and invalidity benefit, which primarily for administrative reasons are at present untaxed.

"But we do not have to wait until 1982 to do something about this problem.

"Subject to the approval of Parliament, these *short-term* benefits and invalidity benefit will, at the next uprating, be *increased* by 5 percentage points less than would fully reflect forecast price movements.

Generous redundancy

"In addition, the entitlement formula for earnings-related supplement to these benefits will be altered from January, 1981, so as to reduce the *proportion of earnings reflected in* benefit.

"None of these benefits come within the tax net at present. What I am now proposing takes account of the general agreement by successive governments that they should. The ERS scheme itself has been diminishing in worth and effectiveness over recent years. Redundency payments are now more generous and the development of the employers' sick pay scheme means ERS is much less needed than *formerly*.

"Of the unemployed, only about 10 to 15 per cent are in receipt of ERS at any one time. All in all, the Government would find it difficult to justify its retention.

"We therefore propose that the state provision of short-term benefits should in future be on a flat rate basis, and that ERS should be withdrawn in 1982, with no fresh claims being taken from the beginning of that year.

"The large increases in the social security programme over the years reflect in part the heavy cost of automatically indexing the value of benefits in an open-ended way.

"One aspect of this is the system of index-linked pensions in the public sector, which includes those payable to retired Ministers and Members of Parliament. Serious doubts have been raised as to whether adequate allowance is made for the value of present pension arrangements in settling public sector pay. The Government intend, therefore, to set up an independent inquiry into that question.

"I come now to Child Benefit, where a judgment is needed how far the impact of inflation should be offset. *I have already* explained the general problem which has to be faced in relation to both benefits and taxation.

"The Government propose that this benefit should be *raised in November from £4 to* £4.75 per week for each child.

Matching claims

"For nearly all basic rate taxpayers, this increase of 18¾ per cent in child benefit will ensure that they are better off than they would have been if child tax allowances and family allowances had continued and had been uprated in line with prices. And people who pay no tax at all are substantially better off.

"Child Benefit is, of course, paid in respect of every child in the country, regardless of *the parents' circumstances*. The increase I have just announced will add over £400m to public spending in a full year.

"An extra 10p per child per week would cost nearly £60m a year. I have no doubt that in all the circumstances, I have done everything that is reasonable to match the claims of those who are entitled to child benefit with those of other recipients of social security.

"Within the limited resources available, given the other pressures on the social security programme, they represent the best balance between protecting the old, the poor and the needy, strengthening work incentives, and securing fairness as between the taxed and untaxed.

"Full details of the changes *in social security* benefits will be announced by my Rt. Hon. Friend the Secretary of State for Social Services tomorrow.

"Finally I turn to an area where our social security system touches on industrial relations. More than 10 years ago, one of my distinguished predecessors said: 'We need to facilitate the smooth working of the process of collective bargaining in industry and to help prevent the occurrence of unnecessary and damaging disputes, of which we have seen all too much recently, and which are totally incompatible with our economic objectives.'

"This is what Mr. Roy Jenkins said in 1969, when he announced the then Government's intention to press ahead with their proposal, 'In Place of Strife'. Eleven years later, little indeed has changed, except for the worse.

"I shall refer today to only one aspect of this self-inflicted industrial damage. The social security payments a striker may claim on behalf of his family can be one of several factors which sometimes tilt the balance of industrial power against employers and responsible union leadership alike. These payments have helped to sustain some very damaging strikes. The sums involved can sometimes be *substantial*.

Benefit for strikers

"During the present steel dispute, for example, such payments have so far amounted to over £8m. This would be enough to pay the full-year cost of another 50p on the one-parent premium or an extra £1 on mobility allowance. Payments to strikers are widely and understandably resented and we have carefully considered how best to change present procedures.

"Supplementary benefit for strikers' families will not be withdrawn altogether. But once *Parliament* has passed the necessary legislation, we intend that assessments for benefits will assume the striker to have provided £12 per week himself, whether in strike pay or in some other way.

"Strikers' tax refunds will continue to be taken into account in assessing needs. Until now, part of that refund—equivalent to £4 per week—has been disregarded. In future regard will be had to the full refund.

"We propose, too, that when benefits paid to the unemployed are brought into tax, benefits paid to strikers' families should be taxed similarly.

"This is an overdue reform. The Government believes it is is entirely fair to assume that strikers have made some provision for their families' financial support, either through their union or by some other means.

"It can hardly be denied that unions need to accept fuller responsibility for supporting their members when on strike than some of them have done recently. This change will make an important contribution to restoring the balance that has so long been lacking in our industrial relations.

"After the changes announced today, the social security budget will still be higher in real terms in each of the next four years than it was last year. These changes reflect new and responsible priorities such as are inevitable in a period in which resources are scarce.

"Successive Governments absorb credit for the welfare state. But social security cannot be regarded as exempt from *re-examination* and entitled always to take absolute priority over spending on defence, the police, hospitals or schools — or over the need for proper control of public spending as a whole. Once that fact is recognised, there can be no denying the case for modest economies in this programme.

Swing against companies

"The tax measures which I am about to announce are consistent with the medium-term strategy and the overall budgetary framework. They also take account of the changes in the balance of the economy which have come about over the last year.

"Many are made necessary only by the impact of inflation upon the tax system. One of the many reasons why we need to master inflation—though not perhaps the most important—is that it would enable Chancellors to make much shorter Budget speeches.

Three developments in particular have influenced me: high pay settlements, high oil prices, and the high exchange rate.

"Together, these developments have swung the balance strongly in favour of consumers and against companies, in particular against those companies facing competition from overseas, whether in home or overseas markets.

"Consumers have lost something as a result of the increase in oil prices. But the great majority have more than made up for this by high pay increases and the benefit they have received from income tax cuts, the high exchange rate and lower prices for imported manufactures.

> **"The objective in taxing North Sea oil operations must be to strike a balance between the nation's claim to a share in profits, and the right of those in the risky business of exploration to a fair return on their efforts."**

"In 1979, average personal after-tax incomes increased by 20 per cent, while the profits of companies not engaged in North Sea operations fell by over 5 per cent in money terms, and of course by much more in real terms.

"In deciding the balance of my tax changes, I see a stronger case for reducing the real burdens on companies and small businesses than on private individuals.

"Of course, not all companies have lost out. The oil companies are making large windfall profits. The banks are gaining from high interest rates. Some of these are in a position to contribute more by ways of taxation.

"The financial position of most sections of business will be eased as interest rates come down.

"So far as tax changes are concerned, I shall concentrate the limited funds available to me on encouraging enterprise and on relieving specific pressures which are particularly damaging or unfair.

"The Government's objective in taxing North Sea oil operations must be to strike a balance between the nation's claim to a share in the profits from this national resource, and the right of those engaged in the risky business of oil exploration and development to a fair return on their efforts.

"Since my last Budget, world oil prices have increased dramatically. North Sea oil prices, which follow world prices, have risen by more than half from about $20.70 to some $33.75 a barrel.

"This substantial change has greatly favoured the oil companies. I propose, therefore, for chargeable periods ending on 30th June next and subsequent periods, to increase the rate of Petroleum Revenue Tax from 60 per cent to 70 per cent.

"At the same time, I propose to rectify some anomalies in the PRT rules concerning transfers of North Sea interests between oil companies, and the taxation of gas. These are changes which the industry has requested.

"I also propose to introduce special PRT provisions for fields which span the median line between the UK and the Norwegian Continental Shelves.

"I have one further proposal on Petroleum Revenue Tax. It relates to the collection of tax. The PRT structure gives companies very early relief for capital expenditure. This means that PRT is not collected until some considerable time after a field has come on stream.

"The increases in oil prices have greatly strengthened the industry's cash position. I am satisfied that PRT payments can in future be made somewhat earlier. The Petroleum Revenue Tax Act, 1980, went some way in this direction. I now propose to go slightly further. We shall *require companies* which are liable to PRT for the chargeable period to June 30, 1981, to make at the beginning of March 1981 an advance payment for that chargeable period at a rate of 15 per cent based on 1980 liabilities.

"Advance payments for later chargeable periods will be made in the same way but not necessarily at the same rate. These advance payments will be offsettable against normal *payments* of PRT.

"In total the changes in oil company taxation are expected to bring in an extra £535m, making a total of Petroleum Revenue Tax, Corporation Tax and royalties for 1980-81 of rather over £4bn. We are thus ensuring that the nation as a whole secures a proper share of North Sea profits this year.

"North Sea oil adds to national income mainly through increased Government revenues and oil company profits. Though the sums of money are large, we must not exaggerate them.

"Even in the years of peak production later this decade, no more than 6 per cent of GNP is expected to come from the North Sea—equivalent to perhaps two years of the kind of economic growth we achieved in the 1950s and 1960s.

"This makes it all the more important that we should use the oil wisely, with an eye to our long-term economic interests.

"In particular, we should take the opportunity offered by the growth of oil revenues to bring the level of public sector borrowing steadily down, and this is what our medium term strategy envisages.

Windfall profits

"In recent weeks there has been a good deal of comment about the profits declared by the clearing banks. Some represent a 'windfall' to the banks, which arises from the combination of high interest rates and the fact that interest is not paid on current accounts.

"The windfall element is not a sign of enterprise or efficiency, as the banks themselves recognise. But it is equally irrational to attribute these profits to some wickedness on the part of the banks.

"They *need* the major part to strengthen their capital base, which would otherwise have been eroded by inflation.

"There could, of course, be a case in principle for a special tax related to the windfall element in these profits, and I shall be considering this further. However, it has not yet been established that such a tax is either practical or entirely desirable in today's conditions.

"Leasing, in which the banks have been heavily involved, has grown *rapidly* in the past few years. Underlying this growth has been the 100 per cent capital allowance, which leasing companies can claim on assets bought for leasing.

"The present rules apply to equipment leased to UK industrial and commercial companies, which would qualify in their own right for these tax incentives if they were to purchase the equipment for themselves.

"I do not propose any changes in transactions of this kind. Leasing finance of this sort has become an important—in many cases an essential—source of finance for investment in manufacturing industry. Under the present tax rules, however, these 100 per cent allowances apply to all leased equipment.

"Thus leasing effectively extends the benefits of tax incentives to certain users—such as overseas companies, certain public bodies in the UK, and consumers—who would not qualify for tax incentives if they had purchased the equipment themselves. I propose to end these anomalies.

"As from June 1 expenditure on leasing involving these users will *normally* qualify only for 25 per cent tax allowances.

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Chancellor tightens all the belts

BY PHILIP RAWSTORNE

THE GOVERNMENT'S economic programme, conceived in an enthusiastic gamble last year, was delivered yesterday in an atmosphere of pessimism and parsimony.

Sir Geoffrey Howe's expectations have certainly been transformed during his nine-months gestation as Chancellor of the Exchequer.

The Commons had just been discussing famine in Kampuchea before Sir Geoffrey got to his feet yesterday—and there was a noticeable tightening of belts, as well as tension, as he approached the despatch box.

The outlook was poor, he admitted right away. Output would fall next year by 2½ per cent.

The Government had a strategy, however, he assured the MPs, who were whistling their dismay. "But it should by no means be confused with a national plan," he added, amid laughter.

Sir Geoffrey took a sip of water. "Britain's difficulties are so deep-seated and serious as to make tough policies inescapable," he declared.

"The Governor and I have agreed..." he said, in what derisive Labour MPs interpreted as a sign of his accord with Mrs. Margaret Thatcher, who sat beside him.

The agreement, it turned out, was with the Governor of the Bank of England over the tightening of the money supply—and Sir Geoffrey during the next two hours made it clear that whatever eventually flowed into people's pockets would largely be mopped up.

No one except the elderly and the disabled was going to keep pace with inflation this year—let alone with the 14 to 19 per cent predicted for the coming 12 months.

There was a great howl of outrage from the Labour benches, as Sir Geoffrey announced the £1 prescription charge. "A tax on the sick," *MPs* bellowed. "Shame, shame."

Sir Geoffrey pressed on towards public expenditure and its reduction. "There are those who sometimes speak as if public expenditure problems can be reduced by cutting bureaucracy," he said, echoing many a Tory speech.

No so, he said firmly, as he proceeded to pare social security benefits.

Sir Geoffrey took another sip of water . . . and taxed the oil companies. Another sip . . . and left the banks windfall profits untouched, provoking more Labour outbursts.

Mr. James Callaghan declared that Sir Geoffrey had budgeted for further years of decline rather than recovery.

His pessimism would disillusion the country. "A consolidation budget? — a consolidation of failure," he remarked.

What Mr. Callaghan found even more depressing was the attitude with which the measures were being introduced. "You are turning the 20th century welfare state back to the 19th century board of guardians," he said.

THE BUDGET: THE CHANCELLOR'S SPEECH

Aid for small businesses · Pensions up

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There will be transitional provisions for leased television sets. Though the extra revenue in 1980-81 will be negligible, the saving in a full year will be over £200m.

"These provisions will replace, from June 1, the stopgap provision for foreign leasing which I proposed on October 23, when announcing the abolition of exchange control. They will also include measures to end the growing abuse of leasing by individuals for tax avoidance purposes.

"However the Motability Scheme for leasing cars to disabled people will continue to benefit from the existing provisions.

"I have already referred to the difficult problems that many companies will be facing in the coming year, with great pressure on their liquidity. I have considered how far it would make sense for the Government to help them by major tax reductions.

Company liquidity

"Such help could only be provided at the expense of much higher personal taxation or higher borrowing and thus higher interest rates.

"I believe that the greatest service which I can perform for business is to reduce the burden of financing the public sector and thus to get interest rates down. I have, therefore, given precedence to this objective.

"However, there is, as I observed last June, a clear need to re-examine the corporate tax structure. I have already undertaken that there will be full consultations before changes are made. I understand that the accountancy profession will be publishing their new standard on current cost accounting later this month. We will, therefore, publish a Green Paper later this year, reporting the results of our general review of the present corporation tax provisions.

"Meanwhile, I do not think that it would be right to change the rate of corporation tax or to make major changes in its structure. But I do propose one important concession to help companies which face a particular difficulty.

"A number of businesses in manufacturing, and certain areas of distribution, are concerned about the recovery charges which they will face as a result of reductions in stock levels likely to arise either because of the general pressure on liquidity, or in some cases as a result of the steel strike.

"I propose, therefore, to allow a substantial part of the stock relief recovery charge consequent on a reduction of stocks to be deferred for one year.

"This change will be subject to certain conditions dependent on the extent to which stocks are financed on trade credit.

"The new relief will be given for business accounts ending after 1979-80. The cost is estimated at £210m in 1980-81 and a further £125m in 1981-82.

"While further relief is justified in the cases to which I have referred, there is criticism that the present stock relief may confer an unjustifiable advantage in certain circumstances.

"This is a complex matter on which detailed consultation will be needed, but my intention is to legislate next year in respect of the tax payable generally on January 1, 1982. This will give enough time for consultation.

No change in VAT

"I propose another modest measure affecting business taxation. I intend to provide relief for redundancy payments in excess of the statutory minimum paid when a business stops trading.

"I turn now from companies to my other proposals for finding extra revenue. I begin with the indirect taxes.

"Last June, I took an important step in implementing a change in the tax structure that everyone knew to be necessary. I carried out a substantial switch in the balance of taxation from direct to indirect taxes.

"I do not intend to go further in that direction this year. But I do intend to ensure that the real yield of indirect taxation is not eroded. Inflation can all too easily have that effect.

"First, I shall deal with Value Added Tax.

"Without the extra revenue from last June's Budget changes it would have been quite impossible this year for any Government to avoid either much larger cuts in public spending or big increases in income tax.

"This is the first year in which the full yield of the 15 per cent rate will be available. The yield will be some £12,450m in 1980-81.

"I propose no change in the 15 per cent standard rate of VAT. I am, however, making a number of technical changes, to ease the administrative burdens borne by small businesses—about which I shall have more to say later.

"There have been signs that some large companies may have been delaying their VAT payments to the Exchequer. This must be corrected at the earliest opportunity. Customs and Excise are already taking steps, with my approval and within the existing law, to reduce the attractions of delay.

"But more needs to be done. I shall, therefore, be asking the House to raise the maximum penalty for late payment. My proposal is that it should be expressed as a proportion of the tax at stake.

"In practice, this will raise the penalty for only the larger companies. For them the existing maximum penalty, of £100 plus £10 a day is clearly inadequate.

Staff savings

"I also propose to remedy an anomaly in the coverage of VAT. Lubricating and certain other oils are currently zero-rated, without any real justification. We shall be laying an Order to charge them at the full rate from Thursday, May 1. This will yield an additional £12m in 1980-81 and £17m in a full year.

"I want also to inform the House today of my decision on one of the options for staff savings in the Customs and Excise. Concern has been expressed by a number of my Hon. Friends and by representative business organisations at the possibility that we might withdraw the facility of monthly returns for those VAT traders who are entitled to claim repayments.

"I have carefully considered representations about the effect on business cash flow, and I do not intend to pursue this option further.

"This year most of the additional revenue I need from the indirect taxes must come from excise duties. Because they are applied to a physical quantity, the real value of their yield declines in times of inflation. A number of them have not been increased since early 1977 and many have been declining in real value over a much longer period.

"Accordingly, taking the duties as a whole, I am proposing increases which will reflect the impact of the last year's inflation and keep the real yield roughly constant.

"I start with the duties on alcoholic drinks and tobacco, which were last increased three years ago. I propose from midnight tonight to increase the duties on drinks by amounts which, including VAT, represent about 2p on the price of a typical pint of draught beer, 8p on a bottle of table wine and 50p on a bottle of whisky.

"The tobacco duty will be raised with effect from midnight on Friday. Including VAT, the increase will represent 5p on the price of a typical packet of 20 king-size cigarettes.

Change on casinos

"There will be consequential increases for most other alcoholic drinks and tobacco products, but rather less than the full amount on pipe tobacco.

"The increases on alcoholic drinks will yield £273m in 1980-81 and £288m in a full year. The tobacco increases will yield £180m in 1980-81 and £195m in a full year.

"Next, betting and gaming. I do not propose any changes in the general betting duty or the pool betting duty. But the Government has been persuaded by some of the criticisms of the present duty on casinos made by the Royal Commission on Gambling.

"This duty depends heavily on rateable value. It is not an equitable tax, and the more profitable casinos are seriously undertaxed.

"From October 1, therefore, the present duty will be replaced by one related more closely to the profitability of casinos, and designed to produce about two-and-a-half times as much revenue in a full year.

"At about the same time, the duty on bingo will be increased from 5 per cent to 7½ per cent. Provision will also be made in the Finance Bill for restructuring the duty on gaming machines.

"We intend to remove the duty on penny machines, and propose to increase the revenue from the very profitable jackpot machines usually found in clubs. These changes will yield £5m in 1980-81 and £20m in a full year.

"I turn now to Vehicle Excise Duty. Our predecessors announced their intention to abolish the duty on cars and other petrol-driven vehicles. They proposed to make good the revenue loss by increasing the tax on petrol.

"As the House will recollect, after carefully reviewing the arguments, we decided that this was not a sensible change to make.

Sir Geoffrey Howe and Lady Howe leave No. 11 Downing Street to go to the House of Commons

"Even if the tax had gone, the need for a vehicle register would have remained. This is essential to the police and for vehicle control. So much of the form-filling would have continued unabated.

"We decided it was much better to keep the Vehicle Excise Duty, but to achieve staff savings by streamlining its administration, along the lines which my rt. hon friend the Minister of Transport has already proposed.

"As part of this, he is announcing today that from October, four-monthly licences will be replaced by six-monthly licences. From August a stamp-saving scheme will be introduced to help motorists to budget for payment of this tax.

"If the duty is to remain, we would be wrong to allow inflation to go on eroding its real value. Because of doubts about its future, the rates of this duty have remained unchanged since 1977.

"I therefore make no apology for proposing increases in the duty on most vehicles of about 20 per cent, and on the heaviest lorries of about 30 per cent this year. As a result, the annual duty on cars will increase by £10 to £60.

"The larger increase on the heaviest lorries will reflect the high road costs which they impose on the community. These changes will produce an estimated additional yield of £240m a year, but will still leave the Vehicle Excise Duty lower in real terms than after the last increase in 1977.

Electric vehicles

"I have one further small change to announce in Vehicle Excise Duty. Electric vehicles at present play only a small part in road transport. But they are much cleaner and quieter than vehicles powered by internal combustion engines, and they could bring big future energy savings.

"Because I want to encourage their further development, I propose to abolish Vehicle Excise Duty on them. The cost in 1980-81 will be less than £2m.

"In my Budget last June, I stated that there was a continuing case for measures that would help us to conserve oil.

"The price of petrol in the UK remains well below that in any other EEC country. If we are to ensure that our oil resources are not wasted, a duty increase is justified this year.

"If we had decided, as the last Government had in mind, to replace VED progressively by higher petrol taxation, I should have been obliged to consider increasing the price of petrol by at least 20p a gallon. That would have been necessary simply to replace the revenue formerly provided by VED.

"To match the VED increase I have announced would have taken the figure to 24p a gallon—and higher still, if the present petrol duty were itself maintained in real terms.

"Since we are retaining the VED, such large increases are not needed. Instead, I shall be increasing the duty on petrol, from 6 pm tonight by the equivalent, including VAT, of 10p a gallon.

"For the last three years the rate of duty on derv has been higher than that on petrol. I have decided that we can no longer justify this differential, which has borne heavily on commercial and industrial users.

"Taking account of VAT, the increase in the duty on derv will be about 4p a gallon. This will mean that once again the duties on petrol and derv are the same.

"These increases will yield an additional £450m from petrol and £55m from derv in 1980-81, and in a full year.

Motorists' burden

"I also propose to raise the duty on heavy oil, other than derv, by about ½p a gallon from 6 pm tonight. This will yield an additional £50m in 1980-81 and in a full year.

"I have decided not to increase the duty on burning oil and on domestic paraffin, which are the oils most commonly used in the home.

These VAT and excise duty changes will raise additional revenue of £1,260m in 1980-81 and £1,305m in a full year. They do not imply any real increase in indirect taxes as compared with 1979-80.

"The immediate impact effect on the RPI will be just over 1 per cent, but in the longer run these excise duty changes, by contributing to the reduction of the budget deficit, will help to ensure that inflation is brought down and stays down.

"As I have explained, I do not believe I should be justified in allowing the real costs of motoring and road transport to fall, simply as a result of inflation.

"But if it is right in principle for road users to face a constant fiscal burden, it would not be fair to disregard the increasing unreality of the income tax charge levied on those who are partly sheltered from rising costs because they have a company car available for private use.

"The scales of benefit charged to income tax have been allowed to fall well behind any reasonable measure of true values. The present figures barely cover the current cost of tax, insurance and maintenance.

"This is unfair to individuals who have to bear the full cost of car ownership, not to mention those who cannot afford to run a car at all

"I propose, therefore, to increase by some 20 per cent the scale figures which are used for measuring the benefit of a company car for tax purposes. This change will be effective from April, 1981.

"At the same time, there will be one modest relief. The qualifying annual mileage of business use above which a reduced rate of tax is charged should be reduced from 25,000 to 18,000 miles a year. In the light of our widespread consultations last year, I believe these changes will generally be recognised as fair.

Benefits in kind

"I have also been considering whether I ought to take action to charge tax on the value of petrol provided by employers for private use by their employees. This would present severe administrative problems, both for employers and for the Inland Revenue.

"Even so, I shall feel bound to contemplate action next year if the provision of free petrol continues to spread at anything like its present rate.

"As the burden of income tax is reduced, I would hope to see a decline in the provision of benefits in kind. It is consistent with that view for me to impose a reasonable charge to income tax on benefits which do remain.

"In that spirit, I approach one area this year which has so far escaped the eye of my predecessors. I refer to the provision for employees of items such as suits of clothing and television sets. I propose to double, from 10 per cent to 20 per cent, the proportion of the value of such objects taken as a measure of the annual taxable benefit.

"And I shall impose an effective charge where the items concerned are subsequently acquired by the employee for less than true value. I am also taking steps to increase from 9 per cent to 15 per cent the rate of interest used to measure the value of beneficial loans to employees and to raise to £200 the limit below which the benefit of such loans is not charged to tax.

"Fringe benefits are charged to tax only if the employee earns more than a certain amount, now £8,500. The case for abolishing this threshold has been pressed upon us. I have asked the Inland Revenue to consult employers and others about the administrative problems that might be involved in such a change.

Income tax proposals

"I now turn to my main proposals for income tax. The cuts I made last year were an important start on reducing the oppressive burden of direct taxation. At every income level, taxpayers now retain a significantly larger share of their incomes, which they are free to spend or save as they choose.

"I intend to do more in the future. But at a time when output is falling and we are making further heavy cuts in public expenditure, I cannot afford to protect income-tax payers fully from the effects of inflation. This then must be a year of consolidation.

"At first sight that would suggest increases in the personal allowances which fall some way short of the rise in prices during 1979. But this would have a number of undesirable effects.

"It would lower the starting point of income tax in real terms compared with a year ago. It would increase the number of taxpayers. It would narrow the gap between tax thresholds and the main social security benefits. And it would impose particularly heavy burdens on those with the smallest incomes. All those effects would be most undesirable.

"Given the limited scope available, I have considered how to avoid these consequences, I mean to do so by adopting an alternative approach. I propose to increase the main income tax allowances by 18 per cent or so, which is in line with the rise in prices and in conformity with the indexation requirement of the 1977 Finance Act.

"This will bring substantial relief to all taxpayers. But in order to afford this, I intend to remove the lower rate band of taxation, levied at 25 per cent on the first £750 of taxable income.

"This combination will protect the position of the very poorest taxpayers, whilst ensuring that basic rate taxpayers receive some, though not complete, protection from the rise in prices.

"The single allowance will thus be increased by £210 to £1,375 and the married allowance by £330 to £2,145. The corresponding allowances for people over 65 will go up by £280 to £1,820, and by £440 to £2,895.

"The income limit for the age allowance will go up to £5,900. Also, the additional personal allowance, available mainly to single parents, will go up by £120 to £770. The revenue cost of these increases in 1980-81 will be some £1,800m, offset by a saving of £750m from ending the lower rate band.

Higher tax thresholds

"I cannot this year make any further reductions in the income tax rates. So the basic rate will remain at 30 per cent and the higher rates will also remain unchanged.

"The case for the lower rate band was never at all clear. The 25 per cent rate was not the effective marginal rate for more than a small number of full-time adult workers.

"For those on lower incomes an increase in the personal allowances would always have been more valuable than the lower rate band. And the existence of this lower rate band added significantly to the complexity of the tax system.

"Its disappearance will simplify and shorten the PAYE tables, and reduce the administrative burden on employers and on the Inland Revenue, where there will be a valuable staff saving of 1,300 posts.

"I am in no doubt that it is right, in a year when difficult choices have to be made, to concentrate on raising the tax thresholds for everybody, as I have proposed, by about 18 per cent.

"I am also in no doubt that it is necessary to abate the tax reductions which follow from that change by the abolition of the lower rate band.

"Taken together, these changes are equivalent to an effective increase in tax reliefs of 11 per cent for a married couple and rather less than that for single taxpayers.

"The 18.75 per cent rise in child benefit implies a broadly comparable annual rate of increase — about 11 per cent — over its April, 1979, level.

"Next, higher-rate taxpayers. Given the substantial improvements last year it would not be appropriate to give major relief to higher-rate taxpayers this year.

"However, our progressive income tax system operates in such a way that those who pay tax at higher rates experience sharply increasing tax burdens in times of inflation.

"In the ordinary course it would be right to increase the higher rate threshold and bands by the same proportion as the increase in personal allowances. That would imply 18 per cent this year.

"But this year the improvements in personal allowances are partially offset by abolition of the lower rate band. That change will have only limited significance for those on higher incomes. So I have decided not to raise the higher rate thresholds fully in line with inflation, as I have done for the main personal allowances, but to put them up by only about 11 per cent.

"That is, as I have explained, broadly equivalent to the total net increase in tax reliefs which I have proposed for married couples paying tax at the basic rate.

"In money terms the threshold for the higher rates will be raised to £11,250 and the threshold to the top rate of 60 per cent to £27,750. There will be corresponding increases at the intervening points.

"So far from making the rich richer, these restricted improvements will result in an increase in the real burden of income tax for the higher rate taxpayer.

"The cost of increasing the higher rate thresholds is £100m in 1980-81 compared with a cost of £140m if they had been fully indexed.

"I am also limiting this year's increase in the threshold to the investment income surcharge to 10 per cent, that is to £5,500. However, with a view to consistent treatment in future years, I shall include provisions in the Finance Bill which should ensure, with effect from next year, that the higher rate threshold and bands, together with the investment income surcharge threshold, are covered by indexing legislation in the same way as the main personal allowances.

"For the typical married couple with two children the net effect of my Budget changes will be to increase their weekly income by £2.68 per week from November. For a single man with the same earnings the increase will be 49p per week.

"The income tax changes I am proposing will be given effect when new tax tables have been printed and distributed. They will be made together and will produce a net increase in take-home pay on the first pay day after May 31.

"In money terms the threshold for the higher rates will be raised to £11,250 and the threshold to the top rate of 60 per cent to £27,750. There will be corresponding increases at the intervening points."

'THE case for the lower rate (income tax) band was never at all clear . . . its disappearance will reduce the administrative burden on the Inland Revenue, where there will be a valuable staff saving of 1,300 posts.'

Exemption for awards

"I am proposing two other small income tax changes which have long merited action.

"I propose to exempt from tax the payments made to holders of certain gallantry awards, such as the Distinguished Conduct Medal and the Conspicuous Gallantry Medal. These will in future be treated in the same way as annuities payable to holders of the Victoria Cross and George Cross.

"I want also to do something more for widows in the difficult time immediately following bereavement. I therefore propose to increase the present single allowance which widows receive for the tax year in which they are bereaved.

"The addition for that year will, at its maximum, bring the single allowance for widows up to the level of the married allowance.

"We have also been reviewing the treatment for tax purposes of husband and wife. This is a complex and important subject. I am grateful in particular to the Equal Opportunities Commission for the light which their publications have shed on this aspect of sex discrimination.

"It is easier to define the problems than to find the answers. Certainly, radical changes should not be made in haste. I propose, therefore, to issue later this year a Green Paper on this subject. I hope that it will stimulate further constructive debate, leading us ultimately to acceptable solutions.

"Although, as I have just explained, this is not a year in which sweeping reductions of income tax are possible, that need not prevent us making sensible reforms in the tax system wherever the opportunity offers.

"I have frequently drawn attention to the extent to which the tax system has woven itself deeply into the fabric of national life. Tax has been piled upon tax, often with little regard for their interaction. The accidental effects of this tax onslaught have often been as damaging as the direct consequences.

Accidental effects

"This Government came to office pledged to bring more simplicity and consistency to the tax system. We have already undertaken a series of major reviews.

"I should like here to thank both the Inland Revenue and the Customs and Excise for the heavy load of policy review work they have carried out during the last nine months. This should all bear useful fruit in the years ahead.

"This year I have progress to report in three important areas where I believe that fiscal reform can encourage private action—in connection with housing, the national heritage and voluntary organisations.

"We wish to encourage the private provision of housing as well as wider home ownership. Home ownership adds to the quality of life. And private provision of housing means we can save public resources for other areas where a private sector alternative is not available.

"My first proposal is designed to help first-time buyers in particular.

"I have received representations from many quarters about the burden of stamp duty on house purchasers. Difficulty in acquiring a new home restricts the mobility of labour. Those at the lower end of the market—mainly young couples—particularly deserve help.

"I do not think these considerations justify us in making, this year, an increase in the mortgage interest relief ceiling, which I propose to maintain at £25,000. But I do think it would be right to raise the starting point for stamp duty on transfers of property by £5,000 to £20,000.

"The limits for reduced rate bands will be similarly increased, by £5,000, so that the full 2 per cent rate will now be reached at £35,000. This will cost £75m in 1980-81, and £85m in a full year.

"Too many homes are under-occupied, or even standing empty. This is often a direct, even if unintended, result of rent control: sometimes it is a consequence of planning policies, which my rt. hon. friend the Secretary of State for the Environment is improving.

"There are also fiscal obstacles to the economic use of the available stock of property. One of these I intend to deal with this year. I propose a new and additional relief from capital gains tax to help people who let part of their homes.

"At present these house-owners, when they come to sell, can find themselves unexpectedly faced with a capital gains tax charge. This change will encourage letting, and contribute to the better use of the housing stock.

"Next, the national heritage. The House has already passed a Bill to set up the National Heritage Fund. The Finance Bill will include a provision to treat it for tax purposes as if it were a charity.

"The Fund will be set up with an initial amount of around £12m at its disposal. The Government will in future make an annual contribution to the Fund, including the amount needed for the continuation of the acceptance in lieu system.

"But we should also do more to make it possible, both today and in the future, for owners of historic houses to look after their properties on behalf of the nation as a whole.

"The last Government took a similar view and introduced provisions to assist owners to set up maintenance funds for the support of their houses. But that scheme proved to be so restrictive that it has hardly been used.

Voluntary effort

"I intend therefore, to recast substantially the maintenance fund provisions. If we are going to adopt this method of encouraging the preservation of our heritage—and I believe it is the right one—then it is only sensible to make it work.

"Our fresh proposals will apply to the maintenance of buildings, historically associated contents, gardens, and land of historic, scenic and scientific interest.

"The overriding condition will, of course, be that the public should have reasonable access. These measures are intended to cement a bargain between those who have to bear the cost of maintaining the National Heritage, and the people as a whole.

The third way in which we aim to assist private action this year is by providing tangible Government support for the widespread and often unsung voluntary effort that goes on at every level of our national life.

"It is important to do all we can to help charities and to stimulate private benefactors and helpers. A partnership between Government and voluntary effort can be the best way of meeting many pressing social needs, particularly when State spending is having to be cut back. With this in mind, I have given careful consideration to the fiscal recommendations of the Goodman Committee and of the National Council of Social Service.

"I propose to double—to £200,000—the capital transfer tax exemption for bequests to charities: and to exempt wholly from development land tax all future disposals of land by charities. Income tax relief for payments to charities made under Deeds of Covenant, which has hitherto been limited to the basic rate of income tax, will be extended to the higher rates subject to a ceiling of £3,000 a year.

"A minor stamp duty easement on Deeds will be made. And in response to representations I am reducing the period for tax relief on Deeds of Covenant from seven years to four years.

"These measures, which will cost £30m in a full year, are designed to provide the right conditions for substantial growth in the important partnership between voluntary service and the community.

"Now I turn to an area where the tax system can be used to involve the individual more closely in the workings of the economy. I refer to proposals which will encourage direct personal investment in the stocks and shares of British industry.

"In the last 20 years the proportion of the equity of British companies held in direct individual ownership has been almost halved. This is a trend I should like to reverse.

"It is generally agreed that share-ownership and profit-sharing can help in developing employees' understanding of, and commitment to, business and industry. I believe that share-ownership can also spread a wider understanding of the role for risk-taking and initiative in the economic system.

All-party support

"I have two sets of proposals to make.

"First, I propose to make more generous the provisions which the last Government introduced two years ago to encourage profit-sharing.

"In passing, I would note that those provisions were based upon proposals originally put forward by my rt. hon. friend, the Secretary of State for Energy. They attracted all-party support.

"I propose to raise from £500 to £1,000 a year the value of shares allocated to any one employee which can qualify for tax relief; to reduce from five years to two the period after which employees can sell their shares; and to cut from 10 years to seven the period after which they can draw them out free of income tax.

"Second, I propose to reintroduce legislation similar to that which Lord Barber introduced in 1973 enabling employees to be given options to buy shares in their companies without incurring liability to income tax.

"This scheme will have links, as in 1973, to a scheme for contractual savings. These measures will help to fulfil our promise to encourage employee share-ownership and provide the incentive to save and build up capital.

"There is one anomaly in the field of life insurance, which I propose to put right.

"The rate of life insurance relief used to be equivalent to half the basic rate of income tax. It has recently got out of line and I propose to restore the relationship by reducing it to 15 per cent.

"Because of the practical problems posed for the life insurance industry, the change will not take effect until April 6 next year.

"Steps will also be taken to deny life assurance premium relief to certain short-term bonds. This change will take effect from today.

"Before I leave discussion of the capital markets I should add that I propose that traded options, which at present are anomalously treated as wasting assets for Capital Gains Tax purposes, should in future be treated on the same basis as share warrants.

"I hope these measures will help to encourage the wider direct ownership of shares, by altering the relative attractions of investment through the institutions and through more direct means.

"I come now to a series of measures which are intended to increase the wealth-creating vitality of our economy. That

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Capital tax changes

Continued from previous page

means giving greater encouragement to the processes of economic change, and improving incentives to the enterprise sector. For the mainspring of economic vitality it is now widely agreed that we must look to private initiative, widely dispersed and properly rewarded. Enterprise means jobs

Capital taxation

"I start with capital taxation, which is widely regarded, and rightly so, as a severe discouragement to those seeking to build up a business and pass it on to the next generation. We have, as I promised last year, subjected capital taxation to a thorough review.

"Representations from a large number of bodies have confirmed that the damage done by these taxes in their present form is out of all proportion to their yield. There is, of course, a place for capital taxation, including in particular a charge on death. But change is needed.

"What I can do this year must be constrained by our financial position. I am, therefore, proposing changes which will be of particular help to smaller businesses. This is an earnest of our determination to make further progress when economic conditions permit.

"First, the march of inflation over the years has brought far too many estates into charge to the capital transfer tax. This is a particular burden on the small business, when it passes from one generation to another, whether on death or by lifetime transfer.

"I propose therefore that the threshold for the capital transfer tax should be increased to £50,000. This will exempt from the tax at least two-thirds of the estates which would otherwise have been liable; and up to 400 fewer staff will be needed than if we had left the threshold unchanged.

"A reduction in the scale of rates above the new threshold, however much it is needed, is not possible at the moment; nor are other changes I should like to have made. I am, however, making one or two minor changes designed to reduce administration.

"In the case of the capital gains tax, I am fully conscious of the impact inflation has had. It can rightly be argued that the tax often falls on what are no more than paper gains. Proposals for indexation or tapering as a means of meeting this problem have been put forward on many occasions in the past.

"I have had both proposals re-examined but the conclusion to which I have come is that both would result in an unwelcome increase in the cost of administration—for taxpayers as well as the revenue—while reducing the yield of the tax to negligible proportions.

"I cannot, however, leave matters as they are. I propose, therefore, to replace the present £1,000 exemption — which is progressively withdrawn above £5,000—by a straight forward allowance of £3,000.

"This change, which will operate from April 6, will remove from tax half the cases at present liable; and at a reasonable revenue cost, it will reduce staff requirements by 300.

Limited changes

"As a corollary of this new proposal, there will be an exemption for the first £1,500 of gains for trusts; and investment and unit trusts will now be exempted from the tax, although investors in such trusts will remain liable if their own gains in the year exceed the new exemption limit.

"Finally, I propose to remove the present double charge on gifts, which arises from the overlap between Capital Transfer Tax and Capital Gains Tax, by providing roll-over relief for the latter. This has been a particular source of grievance and one on which representations have been received from a large number of people.

"The cost of these changes in the Capital Transfer Tax will be £60m this coming year and twice as much in 1981-82.

"In the case of Capital Gains Tax, there will be no cost this coming year and a cost of £25m in 1981-82. These figures need to be judged against the already rising yield of the capital taxes as a result of inflation.

"I realise that these necessarily limited changes will fall short of what many people had hoped for. But I must ask for patience in present circumstances. Meanwhile the benefit the present changes give to the small business should not be under-estimated.

"Because of the 50 per cent relief—which will remain, as will the comparable relief for agriculture — a person transferring a business worth £100,000 will pay no Capital Transfer Tax, if there are no other assets.

"We would, of course, have liked to bring similar help to businesses of all sizes. My proposals do give some measure of relief to everybody, but this year most assistance goes to small businesses. As I have already indicated there have been extensive consultations on Capital Taxation before the Budget. We propose to continue this process. There are in particular certain specialised areas such as settled property which require very detailed consideration.

"I now turn to another tax which can inhibit development, the Development Land Tax. In my last Budget I reduced the rate of this tax to 60 per cent and increased the exempt slice to £50,000. I then said there would be no further reduction in the rate and no early increase in the exempt slice. This remains the position.

"Representations have, however, been made to me from many quarters that the tax inhibits development because of uncertainty about the amount of tax chargeable which can normally only be ascertained once development starts.

"It is important to remove obstacles of this kind if we are to make the best use of our resources. I propose to deal with this point and the necessary legislation will be added to the Finance Bill at an appropriate stage. There will also be a number of other detailed improvements. All these changes are designed to free the market and encourage development.

"Taxes are stifling independent enterprise in other ways, too.

Aid for small businesses

"For many years the fashion both in Government and in industry was to favour mergers and amalgamations. No doubt mergers have brought advantages in some cases. But it is now clear that the fashion for industrial elephantism was greatly exaggerated.

"I believe that there are cases where businesses are grouped together inefficiently under a single company umbrella. They could, in practice, be run more dynamically and effectively if they could be 'demerged' and allowed to pursue their own separate ways under independent management.

"The present tax rules can in practice effectively discourage demergers of this kind, by charging the assets of the 'demerged' company to advance corporation tax and income tax as distributions.

"I propose to bring forward, during the passage of the Finance Bill, measures to ease the tax charge on distributions of this kind, subject to certain safeguards and where they are concerned solely with the genuine splitting off of independent trades within the corporate sector.

"My colleagues and I would welcome any views those outside Government might have on these proposals. It may be that further measures will turn out to be justified.

"I now turn to measures specifically designed to improve the tax environment in which the small business lives and works.

"Any business, but particularly the new small business just starting up, needs somewhere to operate.

"An imaginative and helpful new venture in recent years has been the development of estates of small industrial workshops for separate letting to small businesses.

"I propose to bring in a Small Workshops Scheme which will enable industrial buildings allowances at the rate of 100 per cent to be claimed on the construction of small industrial buildings. The scheme will run for three years, and will simplify the present administrative arrangements.

"I shall also make provision for industrial buildings allowance to be given on the construction of industrial buildings rather than on their first lettings.

"In addition to my own proposals, my right honourable friend the Secretary of State for the Environment intends to consult on relaxation of planning controls over changes of use as between light industry and warehousing for small units.

My right honourable friend the Secretary of State for Industry intends to make £5m available to build 1,000 new nursery factory units in assisted areas in co-operation with the private sector.

"New businesses and particularly new small businesses also need capital. Many people with capital to invest might be ready to back enterprising ventures if they knew that losses could be offset against taxed income, instead of only against capital gains.

"I propose that, through a new Venture Capital Scheme, losses on equity investment in unquoted trading companies, incurred after April 5, 1980, may be set off against income.

"Next, I propose to relax the conditions for tax relief for interest paid on money borrowed for investment in, or lending to, a close company. The present rules require an investor to have worked for the greater part of his time in the company's business. I propose to abolish that condition, and thus provide added incentive for outside investment in small firms.

"Just as important as attracting new capital from the outside is the generation of new capital from the inside, in the form of profits which are retained in the business.

"The tax system has now contained for over 50 years a series of provisions under which a 'close' company may be required to justify the amount of profits which it wished to retain in the business, undistributed.

Finance for expansion

"Following last year's reduction in the rate of income tax, I now propose important changes including the abolition of the apportionment of trading income both of close trading companies and of members of trading groups.

"These changes will cut out a thicket of complex tax provisions, which are time-consuming for the small trading business, and a real impediment to growth.

"But if small companies are to generate the funds to finance their expansion, they must first earn profits and then they must be left with sufficient of those profits after payment of tax.

"Better profits must come through improved efficiency and greater productivity. That is a matter for industry itself and not for Government. But Government can help by reducing the burden of tax.

"I propose therefore to cut the small companies' rate of corporation tax to 40 per cent—that is no less than 12 points below the full rate of 52 per cent—and at the same time to raise the qualifying limits to £70,000 for the full relief and £130,000 for the marginal relief.

"My next proposal is designed to help the unincorporated small business. It is important that the self-employed should be able, with tax assistance, to make adequate provision for their retirement.

Annuity relief

"I am therefore raising the limits on retirement annuity relief. The normal percentage of earnings qualifying for tax relief will go up from 15 per cent to 17½ per cent, and the ceiling on the premiums qualifying for relief will be abolished.

"I also propose some minor measures affecting business taxation. Following consultations with industry I propose that the costs of raising business loan finance should be allowed for tax purposes; relief will also be given for pre-trading expenses of a business provided these expenses would have been allowable if the business had been trading when they were incurred.

"Certain changes will also be made in the tax deduction scheme for the construction industry—the 714 scheme—which will lighten the administrative burden of the scheme and change certain features which operate harshly.

"As the last element in my package to help small businesses, I am making certain changes in the arrangements for VAT, in order to ease the administrative burden.

"I propose that from midnight the registration threshold for VAT should be increased from £10,000 to £13,500. The de-registration limit will also be increased from June 1. At the same time I shall be increasing from £50 to £250 the relief from payment of tax on stocks and assets when a person de-registers.

Enterprise Zones

"Despite the severe financial restrictions, we are thus giving help to smaller businesses at many, many points where the system bears too hardly. Individually relatively few of the measures could be described as of major importance; but taken together they represent a significant step forward in making this country one in which enterprise will be properly rewarded and thus flourish again. Together they will cost about £160m in a full year.

"Finally, I come to an idea that is intended to pioneer a new and more adventurous approach to the whole question of industrial and commercial renewal.

"There are some parts of our economy, most notably in the older urban areas, where more and more public authority involvement seems to have led to less and less fruitful activity.

"The planning process has all to often allowed, even caused, whole areas at the heart of some of our most populous cities to be laid to waste for years, even decades.

"Even when plans do finally come to be made, the public purse is often unable to provide the funds, or the enterprise, to match the planners' aspirations. And when private initiative might have been ready to stir, it has generally been stifled by rules and regulations — and by a tax system which pays no regard to these special problems.

"Some hon. Members may recall that, in a speech made on the Isle of Dogs, a little less than two years ago, I put forward a proposal for trying to bring new life back to these areas of urban dereliction.

"The idea was not politically partisan. For my thinking had taken place in parallel with that of the distinguished Fabian, Professor Peter Hall. Quite independently, we had concluded that there was much to be said for the establishment in these man-made wildernesses of what I have called 'Enterprise Zones.'

Capital allowances

"I am, therefore, pleased to be able to announce today action by the Government which will transform into reality the idea which I then put forward.

"We are proposing to establish, in the first instance, about half a dozen Enterprise Zones—with the intention that each of them should be developed with as much freedom as possible for those who work there to make profits and to create jobs.

"Each will cover perhaps 500 acres. Within these Zones two major tax incentives will be available; first, 100 per cent capital allowances for both industrial and commercial buildings; and, second, complete relief from development land tax.

"But fiscal concessions are only part of what is needed.

"These Zones will, therefore, enjoy the following additional benefits: 100 per cent derating of industrial and commercial property; a drastically simplified planning scheme; exemption from the scope of industrial training boards (with consequent exemption from industrial training levies); accelerated handling of applications for warehousing free of customs duty; minimal requests from Government for statistical information; and abolition of the remaining industrial development certificate procedures.

"I hope and believe that an imaginative experiment along these lines may succeed where conventional policies have proved inadequate. No one can doubt the need for change from present arrangements.

"In far too many of our towns and cities today, and for far too many businesses, particularly small and new ones, the gap between a productive idea and a foreseeable profit has widened into a chasm of red tape. And the same red tape all too often stands between a young school leaver and the prospect of a job.

Policy document

"Even before this proposal had any official status at all, there has been no lack of interest in the idea. The Government will be consulting local authorities and other interests before decisions on individual areas are made. Fuller details will be found in the policy document, which is being issued this evening. There could not be a better time for making a fresh start of this kind.

"For in the decade that lies ahead, Britain has the opportunity of following a more hopeful path. We have ended the 1970s with a society that is becoming less tolerant, because we live with an economy that has been growing no richer. The 1980s can be very different.

"The disappointments of the last decade spring from illusions that have persisted too long: the illusion that we can pay ourselves what we have not earned; the illusion that governments may go on borrowing when they dare not tax; and, most foolish of all, the illusion that we can somehow strike our way to higher living standards.

Restoration of prosperity

"The essential condition for success in the 1980s is that we should turn our backs on those illusions that we should have the courage, over a period of years, to carry through the realistic policies to which there is no alternative.

"In this Budget I have tried to set those policies in a strategy for the medium term. Nothing will be easy in the years immediately ahead. But beyond that the strategy offers hope of real success.

"It is a strategy for the defeat of inflation, by the re-establishment of monetary control. It is a strategy for the restoration of prosperity, by the encouragement of enterprise.

"Politics is not only the art of the possible, it is also the art of the necessary. The strategy outlined in this Budget is designed to do what is necessary—and so lay foundations for the success which is well within the grasp of the British people."

The Chancellor sat down at 5.35 pm after having spoken for 1 hour 59 minutes.

The Chancellor holding up the famous Budget box.

'THE Government believes it is entirely fair to assume that strikers have made some provisions for their families' financial support either through their union or by some other means.'

The impact on earnings

Single person—income all earned

Income	Charge for 1979/80: Income tax	Charge for 1979/80: Percentage of total income taken in tax	Proposed charge for 1980/81: Income tax	Proposed charge for 1980/81: Percentage of total income taken in tax	Reduction in tax after proposed changes
1,500	83	5.6	37	2.5	46
2,000	212	10.6	187	9.4	25
2,500	362	14.5	337	13.5	25
3,000	512	17.1	487	16.2	25
3,500	662	18.9	637	18.2	25
4,000	812	20.3	787	19.7	25
4,500	962	21.4	937	20.8	25
5,000	1,112	22.3	1,087	21.7	25
6,000	1,412	23.5	1,387	23.1	25
7,000	1,712	24.5	1,687	24.1	25
8,000	2,012	25.2	1,987	24.8	25
9,000	2,312	25.7	2,287	25.4	35
10,000	2,612	26.1	2,587	25.9	25
12,000	3,296	27.5	3,187	26.6	109
15,000	4,588	30.6	4,344	29.0	244
20,000	7,029	35.1	6,687	33.4	342
25,000	9,721	38.9	9,256	37.0	465
30,000	12,663	42.2	12,050	40.2	613

Married couples—income all earned

Income	Charge for 1979/80: Income tax	Charge for 1979/80: Percentage of total income taken in tax	Proposed charge for 1980/81: Income tax	Proposed charge for 1980/81: Percentage of total income taken in tax	Reduction in tax after proposed changes
2,000	46	2.3	0	0	46
2,500	171	6.8	106	4.3	65
3,000	317	10.6	256	8.5	61
3,500	467	13.4	406	11.6	61
4,000	617	15.4	556	13.9	61
4,500	767	17.1	706	15.7	61
5,000	917	18.4	856	17.1	61
6,000	1,217	20.3	1,156	19.3	61
7,000	1,517	21.7	1,456	20.8	61
8,000	1,817	22.7	1,756	22.0	61
9,000	2,117	23.5	2,056	22.8	61
10,000	2,417	24.2	2,356	23.6	61
12,000	3,036	25.3	2,956	24.6	80
15,000	4,296	28.6	4,017	26.8	279
20,000	6,704	33.5	6,302	31.5	402
25,000	9,364	37.5	8,833	35.3	531
30,000	12,273	40.9	11,588	38.6	685

Married couple with two children —income all earned

Comparison with 1979-80 where earnings increased by the RPI increase for 1979

Gross Earnings in 1979/80	Net Income in 1979/80: Child Benefit	Net Income in 1979/80: Income Tax	Net Income in 1979/80: NIC	Net Income in 1979/80: Net Income	Adjusted Income in 1980/81	Net Income in 1980/81: Child Benefit	Net Income in 1980/81: Income Tax	Net Income in 1980/81: NIC	Net Income in 1980/81: Net Income	Percentage Change in Net Income
£	£	£	£	£	£	£	£	£	£	%
3,000	416	317	195	2,904	3,535	444	417	239	3,323	14.5
5,000	416	917	325	4,174	5,891	444	1,124	398	4,813	15.4
6,000	416	1,217	390	4,809	7,069	444	1,477	477	5,559	15.6
9,000	416	2,117	456	6,843	10,604	444	2,538	579	7,931	15.9
12,000	416	3,036	456	8,924	14,138	444	3,672	579	10,331	15.8
15,000	416	4,296	456	10,664	17,673	444	5,200	579	12,338	15.7
25,000	416	9,364	456	15,596	29,455	444	11,283	579	18,037	15.7

Notes: The adjusted income in 1980/81 is not an actual amount but is for illustration only. It is obtained by simply increasing the 1979/80 income by 17.82 per cent, the amount by which prices (measured by the retail prices index) increased between the beginning and end of 1979.

Elderly single and married couples —income all earned

Income	Charge for 1979/80: Income tax	Charge for 1979/80: Percentage of total income taken in tax	Proposed charge for 1980/81: Income tax	Proposed charge for 1980/81: Percentage of total income taken in tax	Reduction in tax after proposed changes
£	£	per cent	£	per cent	£
	Elderly Single Persons				
2,000	115	5.6	54	2.7	61
2,500	250	10.0	0	0	11
3,000	400	13.3	31	1.0	105
3,500	550	15.7	181	5.2	94
4,000	700	17.5	331	8.3	94
4,500	850	18.9	481	10.7	94
5,000	1,000	20.0	631	12.6	94
5,500	1,250	22.7	781	14.2	194
6,000	1,413	23.5	951	15.9	266
7,000	1,712	24.5	1,451	20.7	66
	Elderly Married Couples				
2,500	11	0.4	204	8.2	46
3,000	136	4.5	354	11.8	46
3,500	275	7.9	504	14.4	46
4,000	425	10.6	654	16.3	46
4,500	575	12.8	804	17.9	46
5,000	725	14.5	954	19.1	46
5,500	975	17.7	1,104	20.1	146
6,000	1,217	20.3	1,274	21.2	139
7,000	1,517	21.7	1,687	24.1	25

PAYE INCOME TAX CHANGES FOR 1980/81

Personal Allowances

	PAYE code ending in letter	Allowances/Rates 1979/80 £	Proposed for 1980/81 £	Increase in code (x 10= £ Increase in Allowances)
Single allowance or wife's earnings allowance	L	1,165	1,375	21
Married allowance or single allowance plus additional personal allowance (APA)*	H	1,815 (or 1,165 + 650 APA)	2,145 (or 1,375 + 770 APA)	33
Full single age allowance	P	1,540	1,820	28
Full married age allowance	V	2,455	2,895	44
Age allowance income limit		5,000	5,900	

* The APA is the allowance given to certain people who have single-handed responsibility for children. The single allowance and the APA together are equivalent in amount to the married allowance.

Rate and bands	Income bands for 1979/80 £	Proposed for 1980/91 £
Lower rate band of income	750 charged at 25 per cent	—
Basic rate band of income	9,250 charged at 30 per cent	11,250 charged at 30 per cent
Higher rate band of income charged at 40 per cent	10,001-12,000	11,251-13,250
45 per cent	12,001-15,000	13,251-16,750
50 per cent	15,001-20,000	16,751-22,250
55 per cent	20,001-25,000	22,251-27,750
60 per cent	Over 25,000	Over 27,750

Details of Howe's taxation changes

SIR GEOFFREY HOWE, the Chancellor, yesterday announced the following proposed tax changes.

Income tax

It is proposed—

To increase the single person's allowance and the maximum wife's earned income relief from £1.165 to £1,375 and the married allowance from £1,815 to £2,145.

To increase the age allowance sonal allowance from £650 to £770.

To increase the ge allowance for the single person from £1,540 to £1,820, for the married from £2,455 to £2,895, and the age allowance income limit from £5,000 to £5,900.

To abolish the lower rate of 25 per cent on the first £750 of taxable income.

To extend the basic rate band to £11,250.

To increase the width of the 45 per cent band to £3,500 and the widths of the 50 per cent and 55 per cent bands to £5,500.

As a consequence of these changes, the structure of personal tax rates in operation in 1980-81 will be:

Bands of taxable income

	%
0—11,250	30
11,251—13,250	40
13,251—16,750	45
16,751—22,250	50
22,251—27,750	55
Over 27,750	60

It is proposed—

To raise the threshold for the investment income surcharge for 1980-81 from £5,000 to £5,500.

To extend to the income tax rate bands and the investment income surcharge threshold the provisions requiring an annual revision in the light of changes in the prices index.

To exempt wholly from tax the pensions and annuities from certain gallantry awards.

To introduce a relief for widows in the year of the husband's death.

To reduce tax allowances for children overseas in 1981-82 and withdraw them in 1982-83.

To make certain changes in the measurement of the taxable benefit from beneficial loans and the provision of assets for employees, and, with effect from 1981-82 to alter the scales which measure the taxable benefit of company cars and the provisions which modify them by reference to the extent of business use.

To amend the law so as to provide tax reliefs for savings-linked share option schemes and to improve the reliefs for profit sharing schemes.

To reduce the rate of tax relief for life assurance premiums from 17½ per cent to 15 per cent with effect from the year 1981-82, and to withdraw relief for premiums on insurance policies taken out from today in connection with certain short-term bonds.

To increase the normal percentage limit on retirement annuity relief from 15 per cent to 17½ per cent, to increase correspondingly the limits for individuals born before 1916, to abolish the premium limit and to introduce a carry-forward of unused relief.

To extend from 1981-82 onwards, the tax relief allowed to individuals for covenants in favour of charities, to the higher and additional rates; to reduce from "over 6 years" to "over 3 years" the minimum period for which a covenant in favour of a charity must run to be effective for tax purposes.

To allow income tax relief on certain capital losses on equity investment in unquoted trading companies.

To allow relief for interest paid on money borrowed for investment in a close company to borrowers having a material interest, but who do not work for the greater part of their time in the company's business.

Income tax and corporation tax

It is proposed—

To allow certain stock relief recovery charges to be deferred for one year.

To replace the 100 per cent first year allowance by 25 per cent writing down allowances for expenditure on certain plant and machinery for leasing; and that certain income tax losses arising from leasing should not be available against non-leasing income.

That expenditure on the construction of industrial or commercial buildings in enterprise zones should qualify for 100 per cent capital allowances.

That expenditure in the next three years on the construction of small industrial buildings should qualify for 100 per cent capital allowances.

To end the apportionment of the trading income of close trading companies.

To end the close company restrictions on interest paid to directors.

To tax as trading receipts certain grants made under the Industry Act 1972 to the extent, if any, that this is not achieved under existing law.

To allow certain costs of raising business loan finance and expenditure incurred prior to the commencement of a trade.

To allow certain voluntary redundancy payments made on the cessation of a business.

To reduce the tax charge on certain demergers.

To revise the rules of the sub-contractors' tax deduction scheme.

Corporation tax

It is proposed for the financial year 1979 to fix the "small companies" rate of corporation tax at 40 per cent (previously 42 per cent) and to increase the limit for that rate from £60,000 to £70,000 and the limit for marginal relief from £100,000 to £130,000.

Corporation tax and capital gains tax

It is proposed:

To exempt authorised unit and approved investment trusts from tax on their capital gains, and end the present credit system for their investors.

To end the treatment of trading options as wasting assets.

Petroleum revenue tax (PRT)

It is proposed:

To increase the rate of PRT from 60 per cent to 70 per cent for chargeable periods ending after December 31, 1979.

To advance payments of PRT for the chargeable period to June 30, 1981 and succeeding chargeable periods.

Special provisions are proposed: for gas fractionation and valuation; for gas banking arrangements; for unrelieved expenditures on the transfer of an interest in an oil or gas field; and for fields spanning the Median Line between the Continental Shelf of the UK and that of another country.

Capital gains tax

It is proposed:

To increase the threshold from 1980-81 so as to exempt individuals on the first £3,000 of capital gains in a year and most trusts on the first £1,500.

To introduce a rollover relief for lifetime gifts between individuals and to allow the capital transfer tax paid as a deduction against any subsequent gain on the transferee.

To provide relief for private residences used for residential lettings.

Development land tax

It is proposed—

To introduce measures allowing a taxpayer to elect to have the tax on a deemed disposal fixed earlier than at present.

To exempt charities from the tax in respect of disposals of an interest in land made on or after March 26 1980.

To exempt from the tax disposals of an interest in land within an enterprise zone within 10 years of the zone being so designated.

Capital transfer tax

It is proposed—

To increase the upper limit of the nil rate band for both death and lifetime transfers from £25,000 to £50,000 and to increase the exemption limit for transfers to non-domiciled spouses correspondingly.

To increase the small gifts exemption to £250, and the exemption for transfers on death or within a year of death to charities to £200,000.

Capital transfer tax and income tax

It is proposed to widen the scope of the provisions under which tax reliefs are available for trusts set up for the maintenance of certain kinds of heritage property, so as to embrace a wider range of property and to permit withdrawals from such trusts for purposes unconnected with the heritage.

Stamp duties

It is proposed—

To raise with effect from April 6 1980 the level below which transfers of property (other than stocks and shares) are not liable to stamp duty from £15,000 to £20,000, to adjust the associated bands of reduced rates of duty correspondingly and to alter certain limits affecting stamp duty on new leases.

To apply an existing special stamp duty treatment affecting stock exchange jobbers to dealings in unlisted stocks and shares by licensed dealers.

To free certain charitable deeds of covenant from stamp duty.

Surcharges and rebates in respect of excise duties

It is proposed to amend the Excise Duties (Surcharges or Rebates) Act 1979 to abolish the annual statutory renewal of the Treasury's power to make orders under the Act, to remove the restrictions on the purposes for which such Orders may be made, and to alter the provisions of the Act relating to Parliamentary control.

Value added tax

It is proposed that from May 1, 1980, the zero rate of VAT shall cease to apply to lubricating oils. Schedule 4, Group 7 of the Finance Act 1972 will be amended accordingly.

It is proposed to amend Section 20(1) and Schedule 1 to the Finance Act 1972 relating to VAT so as from March 27, 1980, to increase the registration limit to £13,500 per annum and to introduce a single quarterly registration limit of £4,000. From June 1, 1980, the deregistration limit, where future turnover is concerned, will become £12,500 per annum and, where past turnover is concerned, £13,500. It is also proposed from the same date to grant additional relief on stocks and assets at deregistration.

Alcoholic drinks

It is proposed, from midnight March 26-27, 1980, to increase:

(a) the rate of duty on spirits by £1.43 per litre of alcohol in the spirits;

(b) the rate of duty on beer by £2.40 per hectolitre and the charge for each additional degree of original gravity above 1030° by £0.08 per hectolitre;

(c) the rates of duty on wine by the following amounts per hectolitre:

Wine of an alcoholic strength:

not exceeding 15 per cent	£9.93
exceeding 15 per cent but not exceeding 18 per cent	£11.45
exceeding 18 per cent but not exceeding 22 per cent	£13.48
exceeding 22 per cent plus £1.43 for every 1 per cent, or part of 1 per cent, in excess of 22 per cent;	£13.48
surcharge on sparkling wine	£2.18

(d) the rates of duty on made-wine, by the following amounts per hectolitre:

Made-wine of an alcoholic strength:

not exceeding 10 per cent	£6.44
exceeding 10 per cent but not exceeding 15 per cent	£9.65
exceeding 15 per cent but not exceeding 18 per cent	£10.61
exceeding 18 per cent plus £1.43 for every 1 per cent, or part of 1 per cent, in excess of 18 per cent;	£10.61

(e) the rate of duty on cider and perry by £0.73 per hectolitre.

Hydrocarbon oil duties

It is proposed, from 6 pm on March 26, 1980, to increase:

(a) the rate of duty on light hydrocarbon oil, petrol substitutes and spirits used for power methylated spirits by 1.9p per litre;

(b) the rate of duty on heavy hydrocarbon oil for use as road fuel by 0.8p per litre;

(c) the effective rate of duty borne by rebatable oils (except kerosene used other than as aviation fuel), by 0.11p per litre;

(d) the rate of duty on gas for use as road fuel by 0.85p per litre.

Tobacco

It is proposed, from midnight 28-29 March 1980, to increase:

(a) the specific element in the duty on cigarettes by £1.65 per 1,000 cigarettes (the ad valorem element remaining unchanged);

(b) the duty on cigars by £4.66 per kilogram;

(c) the duty on hand-rolling tobacco by £2.32 per kilogram;

(d) the duty on other smoking and chewing tobacco by £1.31 per kilogram.

Gaming licence duty

It is proposed to amend the Betting and Gaming Duties Act 1972 to provide, with effect from October 1, 1980, for a two-part gaming licence duty. For the two six-month licensing periods up to September 30, 1981, the first tranche will be a payment equal to that payable under the current duty arrangements. The second tranche, payable up to five months after the licensing period, will be a proportion of the gross gaming yield (stakes less winnings) as follows:

2½ per cent of the first £250,000, plus

5 per cent of the next £500,000, plus

10 per cent of the next £1,750,000, plus

20 per cent of the remainder of gross gaming yield; less the initial payment under the first part.

For licensing periods starting on October 1, 1981 or later the first part will be £250. The second will be:

2½ per cent of the first £250,000, plus

5 per cent of the next £500,000, plus

10 per cent of the next £1,750,000, plus

20 per cent of the remainder of gross gaming yield.

Bingo duty

It is proposed to increase, with effect from September 29, 1980, the rate of bingo duty to 7½ per cent of stakes plus 3/37ths of any amount by which the total value of the prizes won in each week exceeds stakes after deduction of the duty payable.

Gaming machine licence duty

It is proposed to amend the Betting and Gaming Duties Act, 1972, with effect from October 1, 1980, to restructure the rates of duty on ordinary gaming machine licences.

It is proposed to abolish the duty on penny machines and, with it, the holiday season licences for such machines.

It is proposed to amend in a similar manner the comparable Gaming Machine Licence provisions in the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972.

Vehicle Excise Duty

It is proposed to increase the excise duty on mechanically-propelled vehicles which is chargeable under Section 1 of the Vehicles (Excise) Act, 1971, and under Section 1 of the Vehicles (Excise) Act (Northern Ireland) 1972. The increases have effect in relation to licences taken out after March 26, 1980. The annual rates of duty on cars will be increased by 20 per cent with the exception of goods vehicles over 8 tons unladen weight whose rates of duty will be increased by approximately 30 per cent. These percentage increases are broadly descriptive and there will be some variations within particular vehicle categories.

It is also proposed to exempt electrically-propelled vehicles from duty and such exemptions will take effect after March 26, 1980.

Direct effects of tax changes

	Forecast for 1980-81 £m	a full year £m
INLAND REVENUE		
Income tax		
Increase in single allowance by £210 and married allowance by £330	−1,6[illegible]0	−1,994
Increase in additional personal allowance by £120	−[illegible]	−12
Increase in age allowance by £280 (single) and by £440 (married) and in income limit by £900	−16[illegible]	−211
Abolition of lower rate band	+748	+901
Increase in higher rate threshold to £11,250	−58	−106
Changes in further higher rate thresholds	−40	−86
Increase in investment income surcharge threshold	−2	−31
Extension of indexation provision	(a)	(b)
Exemption from tax of pensions and annuities from certain gallantry awards	Negligible	Negligible
Widows' bereavement allowance	−2	−2
Withdrawal of child tax allowance for non-resident children	Nil	+7
Changes in taxation of fringe benefits	Nil	+15
Relief for savings-linked share option schemes	Nil	(c)
Further relief for profit sharing schemes	Negligible	−150(d)
Reduction in relief on life assurance premiums	N[illegible]	+77
Withdrawal of life assurance relief on certain policies	+[illegible]	+15
Changes in retirement annuity relief	−32	−65
Changes in relief on covenanted gifts to charities	Negligible	−25
Income tax relief for capital losses	Negligible	−20
Extension of interest relief for borrowing to invest in close companies	Negligible	Negligible
Income tax and corporation tax		
Stock relief: deferral of recovery charges	−210	Negligible(e)
Capital allowances: leasing	Negligible	+225(f)
Capital allowances: enterprise zones	Negligible	−20
Capital allowances: small industrial buildings	Negligible	−20
Ending apportionment of trading income of close trading companies	Negligible	−5
Relief for cost of raising loan finance	Negligible	−5
Relief for demergers	(g)	(g)
Corporation tax		
Reduction in small companies' rate and increase in limits	−20	−35
Corporation tax and capital gains tax		
Exemption for unit and investment trusts (and removal of credit for investors)	Negligible	−10
Petroleum revenue tax		
Increase in rate	+350	170(h)
Advance petroleum revenue tax	+200	Nil
Gas fractionation: valuation; and gas banking	−15	−7(i)
Capital gains tax		
£3,000 exempt slice for individuals and £1,500 for trustees	Negligible	−85(j)
Rollover relief for lifetime gifts	Negligible	
Development land tax		
Option to have liability on a deemed disposal fixed in advance	Nil	
Other minor items	Nil	Negligible
Capital transfer tax		
Increase in threshold	−60	−125(k)
Increase in exemption limit for charitable gifts	−2	−5
Other minor items	Negligible	Negligible
Capital transfer tax and income tax		
Maintenance funds for historic buildings, etc.	Nil	(l)
Stamp duties		
Raising of thresholds by £5,000	−75	−85
Other minor items	Negligible	Negligible
TOTAL INLAND REVENUE	−1,020	−1,680
CUSTOMS AND EXCISE		
Value added tax		
Increase in registration limits	− 5	− 10
Increase in rate of VAT on lubricating oils	+ 12	+ 17
Excise duties		
Increase in rate of duty on light oil, etc.	+450	+450
Increase in rate of duty on heavy oil for use in road vehicles	+ 55	+ 55
Increase in effective rate of rebatable oil duty	+ 50	+ 50
Increase in rates of tobacco products duty	+180	+195
Increase in rates of spirits duties	+ 40	+ 40
Increase in rates of beer duty	+190	+205
Increase in rates of wine and made-wine duties	+ 40	+ 40
Increase in rate of duty on cider and perry	+ 3	+ 3
Replacement of gaming licence duty	Nil	+ 9(m)
Restructuring of gaming machine licence duty	Negligible	+ 1
Increase in rates of bingo duty	+ 5	+ 10
TOTAL CUSTOMS AND EXCISE	+1,020	+1,065
VEHICLE EXCISE DUTY		
Increase in rates of duty	+240	+240
Abolition of Vehicle Excise Duty on electrically-propelled vehicles	− 2	− 2
OTHER		
Bus Fuel Grants(n)	− 3	− 3
Total Changes in Taxation	+235	−380

(a) Effective from 1981-82.
(b) The cost will depend on increases in prices; and implementation will be subject to review by Parliament.
(c) The yield from new option schemes, if they were subject to taxation, might eventually reach a figure of the order of £100m. No cost is shown however since new schemes would be unlikely to be introduced without the proposed relief and the yield of income tax is therefore unaffected.
(d) The estimate of the cost is highly tentative since it will depend on the extent to which the reliefs are used.
(e) The cost in 1981-82 will be £125m.
(f) The yield in 1981-82 will be £90m.
(g) Large sums could be involved but no cost is shown since the demergers are unlikely to occur without the new relief.
(h) Petroleum revenue tax +£350m; corporation tax −£180m.
(i) Petroleum revenue tax −£15m; corporation tax +£8m.
(j) The cost in 1981-82 will be £25m.
(k) The cost in 1981-82 will be £115m.
(l) There could be a long-term cost but its extent cannot be quantified.
(m) The yield in 1981-82 will be £5m.
(n) This is a consequence of the increases in road fuel duties. These grants are treated as tax refunds in Tables 14, 15, 23 and 24.

Short-term economic prospects

AS IN THE autumn Industry Act forecast a significant decline in economic activity is projected for 1980.

This is partly the consequence of a poor projected real trade balance, reflecting both weak world demand and the effects of a rate of inflation in the United Kingdom in excess of the money supply target. The second major factor is a likely swing from positive to negative stockbuilding.

Very tentatively a GDP fall of 2½ per cent between 1979 and 1980 has been projected.

In recent months there have been further increases in oil prices and a disappointingly high average rate of pay settlement. The rate of inflation this year is likely to be higher than expected in the autumn, though a considerable slowing down in both pay and price increases should be visible before the end of the year.

The Retail Price Index (RPI) increase on 12 months earlier is forecast to be 16½ per cent in the fourth quarter of 1980 falling to 13-14 per cent in the second quarter of 1981. Both the timing of the reduction in inflation and the pace of the subsequent recovery in personal consumption, investment and output depend critically on the development of pay settlements.

Conditions of declining output and profit margins squeezed by international competition should be favourable to a comparatively rapid adjustment of pay expectations. A higher than expected PSBR of just over £8bn is expected for 1979-80 in part because some payments—notably receipts of VAT—have been delayed beyond the end of the financial year. In 1980-81 the PSBR's forecast to decline to £8½bn; a fall from 4¾ per cent to 3¾ per cent of market price GDP.

Policy assumptions

The forecast is based on the public expenditure and taxation policies set out in the Budget speech and the public expenditure White Paper (Cmnd. 7841) and in this report.

The growth of the money supply is assumed to be at the centre of the 11 per cent range. The exchange rate is assumed to be determined by market forces. No credit is taken for changes to be negotiated in the present arrangements determining UK contributions to the EEC.

Inflation

The fall in inflation during 1980, which seemed likely in the autumn, will have been delayed by a disappointingly high average rate of pay settlement during the winter and by further large increases in the prices of materials and fuel used by industry and by the increase in mortgage rates.

Pay settlements so far indicate that the 1979 rate of earnings increase of around 19 per cent may continue into the early months of 1980, though there is evidence of a wide dispersion of settlements reflecting the differing economic circumstances of the negotiating groups involved.

Prices of inputs into non-food manufacturing rose by 41 per cent in the 12 months to February. Although nearly threequarters of this increase reflects crude oil prices, there have been significant increases in some other commodity prices, notably metals. The strength of sterling has helped to moderate these increases.

With a weak prospect for output and employment and with the financial pressures on many companies enhanced by strong international competition the prospect is still for the pace of inflation to slow down fairly quickly, though the increase in retail prices during 1980 may be only slightly below that of 1979.

A 12 month increase of 16½ per cent is forecast for the fourth quarter of 1980 falling to 13½ per cent by the second quarter of 1981.

In the second quarter of 1980 the 12 month increase is likely to peak at slightly over 20 per cent, largely because the index will reflect the short-term effects of both the 1979 and 1980 Budgets.

Over the same period the Tax and Price Index (TPI), which takes account also of changes in the burden of direct taxation is likely to increase by 3-4 per cent less than the RPI.

External trade

Any assessment of trade prospects must take into account the large deterioration since 1978 in the UK's cost and price competitiveness and also the effect of recession or weak growth in much of the rest of the world.

For the main industrial countries in total a low rate of real output growth of less than 1 per cent is projected for 1980 although, taking into account the pattern of UK exports, including the OPEC countries, the growth in potential markets may be of the order of 4 or 5 per cent.

The current level of UK manufacturing labour costs relative to our competitors is estimated at around 30 per cent above that for 1978, and on the assumption that the effective exchange rate remains constant, an early improvement cannot be expected.

With such a large change in competitiveness, the forecast is greatly affected by the view that is taken of the elasticities and time lags involved. In addition, there is scope for different assessments of the effects of the recession, notably on import propensities.

Large increases in import penetration for manufactures have occurred mainly when domestic output has failed to keep pace with substantial increases in demand; apart from the effects of competitiveness it seems likely that the import propensity would drop back in the recession, as it did in 1975.

Although a reduced level of home demand is likely to benefit exports this will probably have more effect in later years than in 1980.

The forecast also takes account of longer term trends in import penetration and in export shares and allows for a better relative performance of exports since 1975.

Given all these factors, and allowing also for a further rise in net exports of oil, changes in both exports and imports of goods and services are forecast to be small this year; an increase of less than 1 per cent in exports and of about 2 per cent in imports.

Since this occurs in conjunction with a drop in UK demand the trade balance is an important factor contributing to the projected recession.

Domestic demand and output

While both measurement and prediction of stock-building movements are hazardous there are reasons for expecting a substantial contractionary effect from this source.

Stock-output ratios were probably high by normal standards at the end of 1979 and financial pressures on manufacturing companies, as well as declining sales, will encourage stock reductions.

This is one of the more important reasons for the forecast recession. A significant cyclical decline in manufacturing investment is also likely, though a small rise is forecast for total private sector investment.

General Government expenditure on goods and services is also forecast to fall in 1980—by about 2 per cent—after taking account of the reduced programmes reflected in the current White Paper (Cmnd. 7841).

Personal consumption, however, may rise slightly in 1980, though this forecast depends on the savings ratio falling in response to a small decline in real personal disposable incomes; since real incomes had been rising quickly until 1979 some significant change in savings behaviour is likely.

The check in real incomes is partly an effect of the recession and partly reflects the substantial non-wage element in inflation already referred to.

By the end of 1980 and in 1981 a declining rate of pay increase may also have adverse short-term effects on real incomes, but the associated decline in actual and expected inflation should be a further factor tending to bring down the savings ratio.

The forecasts for domestic demand and external trade point inevitably to an output recession this year.

In view of the large changes involved and given the uncertainties of a period of adaptation to a change in policy, the extent of recession must be exceptionally uncertain and the true margin of error is substantially greater than the average figures of 1 per cent on the basis of previous forecasting experience.

For the first half of 1981 a small further decline has been forecast though the rate of fall is less than in the two previous half years; the emphasis on uncertainty must be even greater.

The implication of this forecast is for a further decline in employment and an increase in unemployment. The duration and scale of the rise in unemployment depends a great deal on how quickly the rate of inflation comes down. This will affect both the recovery in output and the severity of the financial pressures on employers in both public and private sectors who will be influenced in their employment policies by the level of their total labour costs.

The current account

To offset against the marginal worsening of the trade balance in volume terms there may be an improvement in the UK's terms of trade in 1980, largely reflecting the strength of sterling.

Unless world conditions produce a sharp reaction in commodity prices, however, the improvement is likely to be modest, though perhaps sufficient to produce a significant improvement in the goods and services component of the current account.

A further worsening in the balance of interest, profits and dividends and transfers is likely, however; increases in North Sea oil profits due abroad and in UK contributions to the EEC (taking no credit for reductions to be negotiated) are among the major factors.

For the current account as a whole a deficit of the same order as for 1979 is forecast for 1980. By the first half of 1981, however, the trend in the current account is likely to be favourable.

The PSBR

The PSBR for 1979-80 is likely to be just over £8bn. The upward revision since the autumn reflects some delays in tax payments—notably for VAT—and rather higher borrowing by local authorities and public corporations, reflecting both higher fixed investment and lower trading surpluses.

For 1980-81 a fall is projected even in nominal terms to about £8½bn. As a share of GDP the forecast falls from 5½ per cent in 1978-79 to 4¾ per cent in 1979-80 and 3¾ per cent in 1980-1981.

A PSBR forecast reflects a large number of diverse transactions and the reasons for a particularly year-to-year movement are complex. The forecast fall can, however, be accounted for in broad terms by a small number of major developments; of these the most important is the receipt of a complete year's VAT at the increased rate in 1980-81, whereas this applied to only about half of 1979-80.

The customary estimates of margins of errors are based on past forecasting experience.

Apart from being average rather than maximum margins, past forecasting errors may not be a good indicator of present uncertainties.

For one thing, uncertainty is almost certainly greater when large fluctuations in economic activity are expected both for the UK and for the world as a whole. Secondly, the period of adjustment to a large reduction in inflation and a different approach to policy inevitably introduces major uncertainties. For example, the margin of error of 1 per cent attaching to the GDP volume forecast looks unrealistically low in present circumstances.

Short-term economic prospects

		1979 to 1980	Margins to error*
A	**Output and expenditure at constant 1975 prices**		
	Per cent changes:		
	Gross domestic product (at factor cost)	− 2½	1
	Consumers' expenditure	1	1
	General Government expenditure on goods and services	− 2	1½†
	Other fixed investment	1	3
	Exports of goods and services	½	2½
	Stockbuilding (as per cent of GDP)	− 2	¾
	Imports of goods and services	2½	2
B	**Balance of Payments on current account**		
	£ billion:		
	1980 First half	− 1½	½
	1980 Second half	− 1½	½
	1981 First half	− 1	1½
C	**Public Sector Borrowing Requirement**		
	£ billion; in brackets per cent of GDP at market prices:		
	Financial year 1979-80	9 (4¾)	—
	Financial year 1980-81	8½(3¾)	3
D	**Retail Price Index**		
	Per cent change:		
	Fourth quarter 1979 to fourth quarter 1980	16½	2½
	Second quarter 1980 to second quarter 1981	13½	5½
E	**Money Supply (Sterling M3)**		
	Per cent change at annual rate:		
	Mid-February 1980 to mid-April 1981	9	—

* The errors relate to the average differences (on either side of the central figure) between forecast and outturn. The method of calculating these errors has been explained in earlier publications on Government forecasts, notably in November 1978. (See Economic Progress Report Supplement or Economic Trends No. 301, November 1978.) The calculations for the constant price variables are now derived from forecasts made during the period June 1965 to November 1977. For the current balance and the retail price index forecasts made between June 1970 and November 1977 are used. For the PSBR in 1980-81 the error is based on the mean absolute error of PSBR forecasts (measured as a percentage of GDP) published at Budget time. The errors are after adjustment for the effects of major changes, where excluded from the forecasts, in fiscal policy and hire purchase terms controls. Quarterly forecasts are grouped so as to be comparable with the forecasts for calendar years and half years as shown. Thus, for a constant price variable forecast made in quarter 0 the errors relate to the forecast period (quarters 0 to 3) compared with the "base year" (quarters −4 to −1). For retail price index the margin relates to the absolute error applicable to quarters 3 and 5.

† This margin applies to General Government consumption.

THE BUDGET

PETROLEUM REVENUE TAX

Rate increased 10% and payment in advance

THE CHANCELLOR announced in his Budget apeech that the Finance Bill 1980 will contain a number of provisions relating to Petroleum Revenue Tax (PRT). The changes will include increasing the rate of PRT from 60 to 70 per cent.

RATE OF PRT

1—It is proposed to increase the rate of PRT from 60 per cent to 70 per cent for chargeable periods ending after December 31 1979.

ADVANCE PAYMENT OF PRT

2—PRT is assessed for chargeable periods, normally of six months ending on June 30 and December 31. A participator is required to submit a return within two months after the end of a chargeable period and at that time make a payment on account of his PRT liability (assessed tax normally being due four months after the end of the chargeable period).

Any underpayment or overpayment is made good by a further payment by the participator ro a repayment by the Revenue.

3—It is proposed that the participator will make an advance payment of PRT six months before the payment on account is due. The amount of advance payment will be the *greater* of:—

i 15 per cent of the assessed liability (less tax in dispute) for the previous but one chargeable period; and

ii 15 per cent of the payment on acount for the previous chargeable period.

4—The advance payment will be set off against the payment on account to be made for the chargeable period when it is calculated six months later.

For example, for the chargeable period to June 30, 1981 the advance payment due on or before March 1, 1981 will be set off against the payment on account due on or before September 1, 1981.

5—It is proposed that the new arrangements will take effect for the chargeable period to June 30, 1981 (the dvance payment being made on or before March 1, 1981) and also for succeeding chargeable periods though not necessarily at the same rate (15 per cent).

6—It is proposed to charge interest where the advance payment falls short of the greater of the amounts in paraghaphs 3.i. and 3.ii. above or is made late and to pay interest in respect of repayments of advance payments.

GAS BANKING ARRANGEMENTS

7—With "*gas banking*" rrangements (wblcb vary considerably in form) the common feature is that the participators in a field, producing to omuch gas for their present requirements, "deposit" their surplus gas with participators in another field (the "banker" field) and "withdraw" it later when they need it.

Under preseot tax rules, this gas is brought into the depositors' tax computations at market value at the time it is deposited, even though no payment is received for it at that time.

8—It is proposed to provide, in regulations to be made by the Board of Inland Revenue, alternative tax rules more appropriate to the circumstances of various gas banking arrangements. Adoption of this alternative basis will be optional.

GAS FRACTIONATION

9—Gas is normally separated into its components streams (methane, ethane, propane, etc.) before sale. The present PRT rules allow the cost of separating methane only. It is proposed to allow the full separation costs and to enable the gas to be valued in its separated state.

TRANSFER OF FIELD INTERESTS

10—*The PRT legislation* makes no special provision concerning the treatment of expenditure when interests in an oil or gas field are transferred from one participator to another.

Consequeotly, field expenditure which has been incurred, but not effectively relieved against PRT at the time of a transfer, might be "stranded," with relief for the expenditure not available to the successor even though it is of no use to the original owner.

Also, expenditure incurred before the transfer will not generally count for the purposes of any "safeguard" relief available to the successor.

11—It is proposed to enable the successor to a field interest to obtain relief for unrelieved expenditure incurred before the transfer.

TRANS-MEDIAN LINE OIL AND GAS FIELDS

12—Certain fields, for example Statfjord, straddle the trans-median line between the UK and *Norwegian sectors of* the contineotal shelf.

It is proposed that the PRT charge in respect of a trans-median line field should be based on the oil and gas attributed to the UK licensees under the unitisation treaty for the field.

Small business industrial buildings

Small Workshops Scheme—*The Chancellor announced* measures to encourage provision of small industrial buildings for small businesses.

100 per cent capital allowances for small industrial buildings—For a period of three years, capital expenditure on the construction *of* industrial buildings providing working space of 2,500 sq ft or less will qualify for a 100 per cent initial allowance instead of the usual industrial buildings allowance, which consists of an initial allowance of 50 per ceot followed by annual writing-down allowances of 4 per cent. Expenditure on the improvement, alteration, or extension of such a building will also qualify for 100 per cent initial allowance, provided the building is still within the size limit after the expenditure has been incurred.

The extra relief will apply to expenditure incurred after March 26, 1980, and before March 27, 1983.

Where expenditure on an industrial building qualifies for 100 per cent initial allowance, the owner will be able to elect to have the initial allowance reduced to any amount he specifies. In this case he will receive straight-line annual writing down allowances of 25 per cent in respect of the balance of his expenditure. For example, if an initial allowance of 40 per cent is claimed. The writing-down allowances for three years will be 25 per cent, 25 per cent and 10 per cent respectively.

The 100 per cent initial allowance will apply to small industrial buildings which are let, as well as those which are owner-occupied.

Acceleration of relief for landlords of industrial buildings—The Finance Bill will also contain provisions amending the industrial buildings allowance rules so that the 50 per cent initial allowances (or 100 per cent initial allowance if the provision above applies) is given for industrial buildings constructed for letting by reference to the date when the construction expenditure is incurred. At present, the initial allowance is not due until the first tenancy begins, and uncertainty about when it will be given has reduced its value *as an incentive.*

This change will be effected by repealing the proviso to Section 1(4) Capital Allowances Act 1968, and will thus apply to industrial buildings constructed for letting of any size. It will apply to expenditure incurred after Budget Day, and also to expenditure incurred earlier which, because of the proviso, has not yet qualified for initial allowance. In the case of such expeoditure, the initial allowance will be given as though the expenditure had been incurred on March 27, 1980.

Statement of practice on industrial buildings allowances **for small industrial workshops** ***constructed for letting to small*** **businesses**—Attached is an Inland Revenue Statement of Practice describing a change in the way the industrial buildings allowance rule, will be administered in future for small industrial workshops constructed for separate letting to small businesses. Hitherto, the detailed requirements of the industrial buildings allowance rules in relation to every unit on estates nf small workshops has involved a considerable administrative burden, to both the owner and the *Revenue,* particularly where there have been frequent changes of tenant. The new practice, which is being implemented immediately, is intended to reduce significantly the work involved in claiming industrial buildings allowances in these cases.

The Government believes that these changes will together enable the industrial buildings allowance to provide a much more effective incentive to the construction of small industrial workshops for small businesses.

● SUPPLEMENTARY DEPOSITS

Scheme to end in June

THE Bank of England issued the following statement after the Chancellor's speech:

The Bank of England announce that, with the approval of the Chancellor of the Exchequer, they have decided to terminate the supplementary special deposits scheme when its present period of operation ends in June 1980.

The final calculation of any liability to make supplementary special deposits will be based on the average of each institution's interest-bearing eligible liabilities on the make-up days for April, May and June 1980. Any supplementary special deposits arising from this final calculation will be lodged on July 14, 1980 and repaid on August 11, 1980.

The ending of the supplementary special deposits schema does not imply relaxation of monetary restraint. This is evidenced in the target announced by the Chancellor of the Exchequer today, for a 7-11 per cent annual rate of growth of £M3 during the period from mid-February 1980 to mid-April 1981.

Without some moderation in the recent growth of bank lending to the private sector, achievement of this target will imply continuing pressure on the liquidity of the banking system.

ENTERPRISE ZONES POLICY

Government to remove tax, administrative burdens

THE TREASURY released the following statement after the Chancellor announced proposals in bis Budget for the setting up, on an experimental basis, about half a dozen "Enterprise Zones."

The Government has announced its intention to legislote for the creation of Enterprise Zones. The purpose of these zones is to test as an experiment, and on a few sites, how far industrial and commercial activity can be encouraged by the removal of certain fiscal burdens, and by the removal or streamlined administration of certain statutory or administrative controls.

Some of the measures to be applied in Enterprise Zones will be discriminatory and will not necessarily be suitable for wider application.

The number of Enterprise Zones will be limited to about half a dozen, at least in the first instance, and the area covered by each will not generally be more than 500 acres. The sites will be in areas with problems of economic and physical decay.

They will be in different parts of the country, and different types of site will be chosen in order to test the effectiveness of the approach in different circumstances.

The establisbment of Enterprise Zones will not be part of regional policy. Nor will it bave any direct connection with the application of other existing policies such as inner city policy, rural development or derelict land policy. The sites chosen will continue to benefit from whatever aid is available there under these policies.

Consultation and Establishment of *Enterprise Zones*

A limited number of local authorities in Great Britain are being consulted directly about the possible sites for Enterprise Zones.

It is proposed that there should be 3-4 EZs in England and one each in Scotland, Wales and Northern Ireland. It follows that not all the local authorities which are being approached initially will in the end be offered the oportunity of an EZ in their area.

The Secretary of State for the Environment (where appropriate, the Secretaries of State for Scotland and Wales) will then consult the local authorities concerned with each of the proposed sites, and will determine the boundary of the areas to be designated.

Te will agree with the appropriate authority the planning proposals and policies for the area, as well as the administrative arrangements for ensuring quick determination of planning and building applications.

The Secretary of State would when designate the area. The designation order would be put before Parliament before coming into force.

Since the aim of setting up an Enterprise Zone is to achieve a significant impact by way of new development, improvement of existing property, or increased economic activity within *a reasonable timescale,* the Government proposes that the designation orders for Enterprise Zones should run for a period of ten years.

Designation will bring into effect the fiscal and other measures listed below.

Measures to be applied in Enterprise Zones

During the ten-year period both new and existing firms within the Enterprise Zone will benefit from the following measures:

(a) Exemption from Development Land Tax.

(b) 100 per cent capital allowances (for corporation and income-tax purposes) for commercial and industrial buildings.

(c) Exemption from rates on industrial and commercial property. The local authorities concerned will be reimbursed for their net loss of rate income by 100 per cent specific grant from the Exchequer.

(d) Simplification of planning procedures. It is proposed that there should be a plan for each Enterprise Zone prepared by the relevant local authority or development corporation and approved, prior to designation, by the Secretary of State.

The plan would show which classes of development were permitted in each part of the Enterprise Zone. It would set out any conditions governing development, for example, those needed for health or safety or for the control of pollution; and it would specify any "reserved matters."

Following designation, developers would not need to apply for planning permission for developments that conformed to the zoning and conditions in the plan.

They might need approval from the local authority, or development corporation for the "reserved matters," but these would relate to details such as access to the highway. Approval for developments that did not conform to the plan, for example "bad neighbour" development, could require individual application in the normal way.

(e) Establishments within Enterprise Zones will be excluded from the scope of Industrial Training Boards (ITBs).

This would exempt the establishments concerned not only from the training levy but also from any requirement to furnish information to ITBs.

(f) Applications from firms within Enterprise Zones for the customs facilities known as "customs warehousing" and "inward processing relief" will *be processed as a matter of* priority, and the criteria applied to decisions on "private" Customs warehouses in Enterprise Zones will be relaxed.

(g) Any remaining requirements for Industrial Development Certificates will be abolished.

(h) The Government will reduce to a bare minimum its requests for statistical information.

In addition to these specific proposals, it is intended that *in general simplified procedures* and speedier administration of controls over development will be applied in Enterprise Zones. However, there will be no lowering of the standards needed to protect people's health and safety, or to control pollution.

Role of local authorities

In most cases the district authority would be the planning authority responsible for ensuring that conditions are as favourable as possible for development in the Enterprise Zone.

But in some cases a development corporation might be given these functions. As a part of the procedure leading to designation, the local authority would be asked to enter into an agreement—which would be published—setting out:

(a) The planning proposals for the area.

(b) The planning policy which they would adopt in dealing with applications that came to them. This would include applications on reserved matters and on developments that did not conform to the plan (for example, "bad neighbour" developments).

(c) The administrative arrangements which they would adopt in order to ensure quick applications, and building regulation approvals, and to facilitate speedy handling of other approvals needed for the construction or occupation of premises (for example, health, safety, fire or pollution control).

One way of arranging this would be to nominate an Enterprise Zone development officer with delegated powers to decide all but the most important planning, and in the case of local authorities, building regulation applications.

Where the local authority does not bave direct responsibility for controls, it would be the job of the development officer to seek to ensure that applications were dealt with by the relevant statutory bodies or officers with minimum delay.

Implementation

The Government proposes to introduce the rating and planning provisions by amendment to the Local Government, Planning and Land Bill now before Parliament.

The designation needed to bring these and other measures into effect will also be introduced in this Bill.

The provisions for capital allowances and relief from Development Land Tax will be included in the 1980 Finance Bill.

Legislation to exclude establishments within Enterpriaa Zones from the scope of Industrial Training Boards will be introduced into the first suitable Bill coming before Parliament.

Comments on Proposals

The Government will welcome comments on its proposals from the Local Authority Associations, and from organisations and individuals with an interest in the subject.

In order to minimise the period of uncertainty and possible blight, the Government seeks an early response from the local authorities consulted so that a decision on the sites may be made in the summer.

CC PGE 20

EZs are expected to come into operation at the end of the year. It would be helpful if comments were sent to the Secretary of State for the Environment, 2 Marsham Street, London SWIP 3EB (Reference EZ/ICD). Where appropriate, comments should be sent to the Secretary of State for Scotland, the Secretary of State for Wales.

Northern Ireland

The benefits accruing to firms in an Enterprise Zone will be extended to Northern Ireland by approprite legislation, which in the case of capital allowances and relief from Development Land Tax will be by way of the Finance Bill.

The Secretary of State for Northern Ireland will enter into consultations with the appropriate authorities there to select an inner city site in Belfast.

Thereafter the plan for an Eoterprise Zone in Northern Ireland would be prepared by the Department of the Environment for Northern Ireland as the planning authority under the direction and control of the Secretary of State.

Forecasts of Expenditure, Imports and Gross Domestic Product †

£m at 1975 prices, seasonally adjusted

	Consumers' expenditure	General Government expenditure on goods and services: Final consumption	Fixed investment	Total	Other fixed investment	Exports of goods and services	Stock building	Total final expenditure	Less Imports of goods and services	Less adjustment to factor cost	Plus Statistical Adjustment†	Gross product at factor cost†	GDP index 1975=100
1977	63,200	23,250	3,950	27,200	16,200	31,400	1,250	139,250	30,500	10,800	−450	97,500	104.7
1978	66,650	23,700	3,550	27,250	16,950	32,050	800	143,700	31,650	11,850	0	100,200	107.2
1979	69,400	23,950	3,400	27,350	16,450	32,650	1,450	147,300	35,150	12,300	2,000	101,850	109.5
1980	70,000	23,950	2,800	26,750	16,600	32,850	−450	145,750	35,950	12,300	1,800	99,300	106.7
1978 First half	32,850	11,800	1,800	13,600	8,600	15,850	400	71,300	15,700	5,900	0	49,700	106.8
second half	33,800	11,900	1,750	13,650	8,350	16,200	400	72,400	15,950	5,950	0	50,500	108.5
1979 First half	34,900	11,950	1,650	13,600	8,150	15,900	1,050	73,600	17,200	6,250	750	50,900	109.4
second half	34,500	12,000	1,750	13,750	8,300	16,750	400	73,700	17,950	6,050	1,250	50,950	109.5
1980 First half	35,150	12,000	1,450	13,450	8,400	16,500	−250	73,250	18,050	6,200	900	49,900	107.3
second half	34,850	11,950	1,350	13,300	8,200	16,350	−200	72,500	17,900	6,100	900	49,400	106.1
1981 First half	35,100	12,000	1,300	13,300	8,050	16,200	−200	72,450	17,950	6,150	900	49,250	105.9
Percentage changes													
1977 to 1978	5½	2	−10	0	4½	2		3	4	9½		3	
1978 to 1979	4	1	−4	0½	−3	2		2½	11	4		1½	
1979 to 1980	1	0	−17½	−2	1	0½		−1	2½	0		−2½	
First half 1979 to first half 1980	0½	0½	−11½	−1	2½	3½		−0½	5	−1		−2	
First half 1980 to first half 1981	0	0	−12½	−1½	−4	−1½		−1	−6	−1		−1½	
Percentage changes at annual rate													
Second half 1979 to first half 1981	1	0	−19	−2½	−2	−2		−1½	0	1		−2	

† All figures in Table 4 am based on "compromise" estimates of gross domestic product. The statistical adjustment reflects the different movement of expenditure and compromise series. Note—figures in £m are rounded to £50m. Percentage changes are calculated from unrounded levels in £m and then rounded to ½ per cent. The GDP index in the final column is calculated from unrounded numbers.

● STAMP DUTY

Higher limits for property

THE CHANCELLOR announced *higher exemption limits for* stamp duty on property transfers with corresponding adjustments in the limits for redneed rates of dnty. The new limits are described below.

At present transfers of property, other than stocks and *shares* which are liable to duty at a straight 2 per cent, are exempt from stamp duty if for less than £15,000, while reduced rates are payable on values between £15,000 and £30,000. The standard 2 per cent rate of stamp duty is chargeable on valnes over £30,000.

These limits will all he increased by £5,000 so that the scale will become:

£	%
0-20,000	Nil
20,001-25,000	½
25,001-30,000	1
30,001-35,000	1½
Above 35,000	2

The scale of dnty on new leases will also be altered to include higher limits so that:

● Leases of furnisbed premises for any definite term less than a year will become exempt from stamp duty if the rent is not above £400 (instead of £250 as at present);

● No stamp duty will be payable in respect of a rent not exceeding £400 per annum (instead of £250 as at present) in a lease for a year or more where the term does not exceed seven years or is indefinite;

● The premium element in a lease will be entitled to the benefit of the new £20,000 exemption limit and reduced rates up to £35,000 if the average associated rent is not above £250 per annum (instead of £150 as at present).

Howe pursues increased output and lower inflation

The Government's objectives for the medium-term are to bring down the rate of inflation and to create conditions for a sustainable growth of output and employment, Sir Geoffrey *Howe told the Commons* yesterday.

To reduce inflation it will progressively reduce the growth of the money stock and will pursue the policies necessary to achieve this aim. After 1980-81, for which a target range of 7-11 per cent has been announced for £M3, the Government intend to set a target range consistent with the annual growth of money supply being reduced to about 6 per cent in 1983-84. The Government intend that there should be a progressive deceleration over the period.

Control of the money supply will over a period of years reduce the rate of inflation. The speed with which inflation falls will depend *crucially on expectations* both within the UK and overseas. It is to provide a firm basis for those expectations that the Government has announced its firm commitment to a progressive reduction in money supply growth. Public expenditure plans and tax policies and interest rates will be adjusted as necessary in order to achieve the objective. At the same time the Government will continue to pursue policies to strengthen the supply side of the economy, by tax and other incentives and by improving the working of the market mechanism.

It is not the intention to achieve this rednction in monetary growth by excessive reliance on interest rates. The Government is therefore planning for a substantial reduction over the medium-term in the Public Sector Borrowing Requirement (PSBR) as a percentage of Gross Domestic Product (GDP).

The relationsbip between the PSBR and the growth of money supply is important but is not a simple one; it is affected by the economic cycle, the rate of inflation and the structure of the tax and public expenditure flows generating the horrowing requirement. But although the relationship between the PSBR and £M3 is erratic from year to year, there is no doubt that public aector horrowing has made a major contribution to the excessive growth of the money supply in recent years.

The consequence of the bigh level of public sector borrowing has been high nominal interest rates and greater financing problems for the private sector. Even in the context of rapid inflation, high nominal interest rates are a deterrent to inevstment. If interest rates are to be brought down to acceptable levels the PSBR must be substantially redneed as a *proportion of GDP over hte next* few years.

The projections show how, given the Government's plans for public expenditure, the PSBR could be reduced progressively to 1-2 per cent of GDP, which would be a little below the average ratio recorded in the 1960s. On the cautious assumption made about GDP growth, fiscal and monetary *objectives are fully consistent* with such a path for the PSBR.

Public Expenditure

A key element in this strategy is a reduction in public expenditure. The plans announced in the public expenditure White Paper (Comnd. 7841) show a reduction of 4 per cent in the volume of public expenditure between 1979-80 and 1983-84 and the assumptions about GDP growth described below imply a fall in expenditure as a proportion to GDP from 42 per cent to under 40 per cent over the period. Table 6 below shows the expenditure plans in cost terms (ie including the relative price effect) at 1978-79 prices and allowing for shortfall. General Government expenditure in *cost terms is gradually* reduced over the next four years—from £74bn in 1979-80 to £70½bn in 1983-84. The financial framework described below sets these expenditure projections against an illustrative projection of government revenue.

Revenue in the Medium-Term

The growth of Government revenue over the medium-term will be dependent upon the growth of output. This is heavily conditioned by the underlying growth of productivity, the growth of the world economy, and the speed of reduction of the recent high rate of inflation.

Since 1973 growth in output has fallen both in the UK and in the rest of OECD. Over this period growth in OECD output and in world trade in manufactures bas rougbly halved. It *is very possible* that, given the recent rise in oil prices, world output and trade will not grow faster over the next few years than in the past five years. In most industrial countries there is strong evidence of a slowdown in productivity growth in recent years. In Britain, recorded productivity growth (for the whole economy excluding the North Sea sector) over the period 1973-79 averaged only ½ per cent a year—compared with an average of 2½ per cent in the preceding decade. The consequence of the slower growth in productivity in the 1970s is that there has been less excess capacity in the economy than might have been expected, on earlier experience, given the slow growth of output.

The process of reducing inflation almost inevitably entails some losses of output initially, though it promises a better growth of output in the longer-term. The United Kingdom is unlikely to be an exception to this rule. The size and duration of these initial effects, however, *will depend in large measure* on how quickly behaviour, particularly in pay bargaining, takes account of the new monetary environment. As inflation subsides, the basis will be laid for sound, sustainable growth. The sooner inflation comes down the faster the rate of economic growth that can be accommodated within the monetary guidelines set out.

Since the growth of the economy atrongly affects the growth of government revenue at unchanged tax rates the illustrative projections make the deliberately cautious assumption of an average growth rate of 1 per cent a year for the years after 1980, that is at about the same rate as recorded between 1973 and 1979. The economy should be capable of growing faster than this, but for the purposes of these projections it is prudent to assume a low growth rate.

The implications for government revenues of this illustrativa growth rate are shown. Revenue is projected on the conventional assumption of constant indexed tax rates and allowances *at current* 1980-81 levels. Between 1979-80 and 1983-84 total government receipts are projected to rise by £5bn, with the contribution from North Sea oil revenues accounting for about half of the increase. If the average growth rate were higher than assumed here, the rise in non-North Sea receipts could be expected to be greater.

Money Supply and Public Sector Borrowing

The revenue profile in Table 8, in conjunction with the declining profile of public expenditure, would permit a progressive reduction in the PSBR after 1980-81.

This particular course for the PSBR is not to be interpreted as a target path. It is a projection of the course of the PSBR based on the assumed growth of GDP and present public expenditure plans that should be broadly compatible with the monetary objectives. Fiscal policy will be operated so that the PSBR for any particular year will be consistent with declining montary growth in the particular circumstances of the time. The PSBR path shown requires, on the assumptions made, a "fiscal adjustment." If such adjustment turns out to be appropriate for a particular year the Government would assess nearer the time whether it should adjust public expenditure, tax.

As is now generally recognised, projections of this sort are subject to wide margins of error not just because they depend crucially on the assumptions about developments in the rest of the economy, but because even with reasonably firm knowledge of such developments it would be difficult to predict revenue and expenditure with any precision. Nevertheless if their limitations are borne in mind the projections described above suggest that if GDP growth after 1980 were at about the same rate as in 1973-79 there should be scope for tax reductions in the later years.

*RANGES FOR GROWTH OF THE MONEY STOCK (£M3)**

	1980–81	1981–82	1982–83	1983–84
Percentage change during year	7–11	6–10	5–9	4–8

* As the Green Paper on Monetary Control (Cmnd. 7858) explains, the way in which the money supply is defined for target purposes may need to be adjusted from time to time as circumstances change.

GENERAL GOVERNMENT EXPENDITURE

(£bn)

	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84
General government expenditure at 1979 survey prices*	68.1	71	70	68½	67½	67½
At 1978–79 prices						
General government expenditure in cost terms†	64.6	66½	66	64½	63	63
Special sales of assets‡	—	−1	−½	—	—	—
Shortfall§	—	−¾	−½	−¾	−½	−¾
Interest payments¶	7.6	8	8	7½	7½	7
National accounts adjustment**	1.8	1½	1½	1½	1½	1½
Total expenditure in national accounts terms††	74.0	74½	74½	73	71	70½

* Expenditure on programmes by central government and local authorities and the contingency reserve. See Cmnd. 7841, Table 1.1, lines 1, 2 and 5. Debt interest payments are shown separately below. Since most plans are not decided in detail yet for the years after 1980-81 broad assumptions hav been made about the share of genoral govrnment in the total of expenditure on programmes shown in Cmnd. 7841, Table 1.1 for 1981-82 to 1983-84. For convenience, the whole of the contingency reserve is allocated to general government in all years in this table. *It is not allocated by sector in* the columns for 1980-81 in Part IV of this Report.

† Line 1 revalued to 1978-79 prices in cost terms, i.e. including the relative price effect. For each category of public expenditure its relative price is the ratio of its deflator to the deflator for GDP at market prices. The figure for 1978-79 is equal to the sum of the lines for central government and local authorities in Cmnd. 7841, Table 5.3.

‡ Cmnd. 7841, Table 1.1, line 10, revalued to 1978-79 prices. For 1979-80 includes revenue offsets to planned expenditure and a small element attributable to public corporations.

§ Cmnd. 7841, Table 1.1, line 12 revalued to 1978-79 prices with certain adjustments in respect of public corporations. Includes the net effect of different economic assumptions from those used in Cmnd. 7841.

¶ For 1978-79 as in *Financial Statistics, March 1980. For 1979-80 and 1980-81,* revalued figures for general government in line 12 of Table 14 of this report.

**Adjustment to convert line 2 to the definitions used in national accounts statistics. For 1978-79 includes residual measurement differences.

††For 1978-79 equal to line 4 of Financial Statistics, March 1980, Table 2.4. This base year is chosen because it is the latest complete year for which outturn figures, and full details of relative prices, are available.

THE BUDGET

● CAPITAL GAINS

New relief for people who let their property

The Inland Revenue later gave details of the changes in Capital Gains Tax proposed by the Chancellor.

At present, where a house is wholly occupied as the owner's only or main residence, any gain on sale is exempted from capital gains tax. But if part of the house is let the exemption applies only to the part occupied by the owner, any gain on the let part being charged to capital gains tax. The new proposal extends relief to the let portion subject to two restrictions: the relief on the let portion should not exceed an amount equal to the relief on the part occupied by the owner; and it should be subject to a maximum of £10,000.

Where a house has not been the owner's only or main residence for his whole period of ownership, relief is (subject to certain exceptions) restricted to the period of occupation. But the last 12 months are disregarded in making the restriction. This is to cover the case of the owner-occupier who puts up his house for sale and moves out but cannot find a buyer immediately. In future the period allowed will be 24 months. This will apply to disposals on or after April 6. It will supersede the existing concession which extends the period to 24 months only where the disposal takes place within those 24 months.

An individual who makes a gift to another individual will be able to roll over his capital gain if both so claim. If any retirement relief (Section 124 of the Capital Gains Tax Act 1979) is due to the donor, the gain will be reduced by this with only any balance being rolled over.

In the case of business assets, the new relief provides the same, or a greater, measure of relief as the existing provision (Section 126 of the Capital Gains Tax Act 1979) for a gift to an individual. That provision will therefore be superseded except where the donee is not an individual.

Interaction with allowances

Any capital transfer tax paid on the gift will be treated on a subsequent disposal as expenditure incurred by the donee, even if it is paid by someone else, except to the extent that it would create a loss. The new relief will apply to gifts made on or after April 6.

Authorised unit trusts and approved investment trusts will be exempted from corporation tax on their chargeable gains. This will apply to their disposals after March 31.

As a consequence, the credit for investors in these trusts will cease for disposals after April 5.

Section 31 (2) of the Capital Gains Tax Act 1979 provides that on the disposal of an asset any consideration taken into account in making a balancing charge under the Capital Allowances Act 1968 is not to be deducted from the amount of the disposal proceeds in the capital gains tax computation. Doubts have been expressed about the application of the provision where the disposal value of machinery and plant is brought into account under Section 44 of the Finance Act 1971. It is proposed to clarify the position by amending subsection (2). This amendment will have effect for disposals on or after March 26.

Treatment of traded options

A traded option is currently treated as a wasting asset (Section 139 (2) of the Capital Gains Tax Act) with the result that its cost of acquisition is written down progressively throughout the period it is held: only the balance remaining at the time of its disposal can be set against the sale proceeds in computing any capital gain or loss which may have accrued.

It is proposed to bring the treatment of traded options into line with that of share warrants. Where, therefore, a traded option is disposed of after April 5, the wasting asset treatment will not be applied and so the full cost of acquisition will be taken into account in the capital gains tax computation. Furthermore, the abandonment of a traded option will be treated as a disposal (at present Section 137 (4) of the Capital Gains Tax Act prevents this).

Th Chancellor proposed to introduce a relief whereby losses on equity investment in unquoted trading companies may be set against income.

Relief will be available only for losses which arise on disposals of unquoted shares in qualifying trading companies. A company will qualify if:

it has been a trading company (within the meaning of Paragraph 11, Schedule 16, Finance Act 1972) within the three years before the disposal, except that a company whose trade consists wholly or mainly of dealing in shares, securities, land or commodity futures will be excluded;

it was a trading company for at least the six years up to that time, or if shorter, for the whole period of its existence other than the first year; and

it has always been resident in the UK.

Relief will be available to individuals taking up ordinary shares in the company (as distinct from those buying their shares from others, inheriting them or being given them).

Relief will be available where the loss arises on a sale at arm's length for full consideration; on a distribution in the winding up of a company; or on a deemed disposal (under Section 22(2), Capital Gains Tax Act 1979) arising out of a claim that the shares have become of negligible value. It will be available for disposals on or after April 6, irrespective of the date the shares were acquired.

If the conditions are satisfied, a claim for relief from income tax may be made for the year in which the loss arose or for the year immediately following. The time limit for making the claim will be two years after the end of the year for which the relief is claimed. Any unused balance of the loss will be available to be set against capital gains. The proposed legislation will be included in this year's Finance Bill.

Exemption for first £3,000 of gains of individuals: At present gains not exceeding £1,000 a year are exempt and there is a restricted measure of relief above that level. For 1980/91 onwards this will be replaced by a new relief under which an individual whose total net gains in a year of assessment do not exceed £3,000 will not be liable to capital gains tax. Where the gains exceed £3,000 the first £3,000 will be exempt and the excess will be charged at the rate of 30 per cent.

The new relief, like the existing relief (Paragraphs 4 and 5, Schedule 1, Capital Gains Tax Act 1979), will also be available to the trustees of a settlement for a mentally disabled person, or for a person in receipt of attendance allowance, and to personal representatives for gains accruing to them in the year of death and in the two following years of assessment.

Exemption for first £1,500 of gains of trusts; Trust created before June 7, 1978: For 1980/81 onwards there is to be a new relief for these trusts in place of the existing one (Paragraph 6, Schedule 1, Capital Gains Tax Act 1979). Trustees of a settlement whose total net gains in a year of assessment do not exceed £1,500 will not be liable to capital gains tax. Where the gains exceed £1,500 the first £1,500 will be exempt and the excess will be charged at the rate of 30 per cent.

Trusts created on or after June 7, 1978: There is to be a new relief for these trusts for 1980/81 onwards. This relief will be similar to that for trusts created before June 7, 1978, except where a person is the "settlor" (as defined in Section 454(3), Income and Corporation Taxes Act 1970) in respect of more than one such trust (other than certain exempt trusts). In that case the exempt slice will be the amount which results from dividing £1,500 by the number of such trusts, subject to a minimum exempt slice for each trust of £300.

Losses: For all the above reliefs, losses incurred during the year will be set off against gains of the year, but losses brought forward will be used only to the extent necessary to reduce gains to the appropriate limit for the exempt slice (for example, £3,000 for individuals).

● TAXATION OF BENEFITS

Talks on earnings threshold

IN HIS speech the Chancellor announced a number of changes in the tax treatment of benefits in kind provided for directors and employees earning £8,500 pa or more. He also announced that the Inland Revenue would be undertaking consultations on the retention of the earnings threshold.

Cars

1—The benefit from the availability for private use of a car provided for an employee by reason of his employment is taxed by reference to a scale relating to the type of car. No change is proposed in this scale for 1980/81; but an Order will be laid shortly, increasing by 20 per cent for 1981/82 the amounts in the scale and the cash figures used as breakpoints between the bands in the scale. This will have the following effect:

Present scale	£
Cars costing up to £8,000	
1300 cc or less	190
1301-1800 cc	250
Over 1800 cc	380
Cars costing £8,001-£12,000	550
Cars costing over £12,000	880

1981/82 scale	£
Cars costing up to £9,600	
1300 cc or less	230
1301-1800 cc	300
Over 1800 cc	450
Cars costing £9,601-£14,400	660
Cars costing over £14,400	1,050

figures are reduced by one half if the car is used for 25,000 miles or more a year on business. From 1981/82 the qualifying mileage will be reduced to 18,000 miles.

3—At present the benefit from the provision of a car with nil or insubstantial business use (insubstantial being taken for this purpose as 10 per cent of total use) is taxed by reference to 20 per cent of its original price, apportioned between business and private use on a mileage basis.

From 1981/82 insubstantial business use will be defined for this purpose as 1,000 miles or less a year, and the benefit will be taxed at one-and-a-half times the scale figure. The benefit from a second or subsequent car provided for an employee already being provided with a car will also be taxed at one-and-a-half times the scale figure from 1991/82, regardless of the extent of its business use.

Loans

4—At present the benefit from a cheap or interest-free loan, the interest on which would not be eligible for tax relief, is calculated by reference to a prescribed rate of 9 per cent per annum.

From May 6, 1980 this rate will be increased to 15 per cent. This means that loans outstanding during the whole of 1980-81 will effectively be taxed by reference to a rate of 14.5 per cent.

5. The *de minimis* limit below which the benefit from a loan is not taxed is increased from £50 to £200 with effect from 1980-81.

Provision of assets other than cars

6. At present the value of the benefit from an asset (other than a car) placed at the disposal of an employee is taxed each year by reference to 10 per cent of its market value at the time it was first provided (or the rent or hire charge paid for it by the provider, if greater).

If it is subsequently acquired by the employee, the benefit taxed is the excess of its market value at the time of acquisition over the price paid by the emplyee.

7. Where such an asset is provided for the first time on or after April 6, 1980, the benefit will be taxed by reference to 20 per cent (instead of 10 per cent) of its market value at the time when it was first provided. If it is substantialy acquired by the employee, the benefit taxed will be the amount by which that original market value, less the amount taxed during the intervening period (before any deductions for business use), exceeds the price paid, if this is greater than the excess of the current market value over the price paid.

8. These new rules will apply to the provision of such assets as suits of clothing, TV sets, hi-fi equipment and video recorders, as well as to aircraft, yachts and furniture.

Legislation

9. The increase in the prescribed rate of interest for cheap loans was authorised by a Treasury Order laid yesterday, and the changes in the car scales will be similarly authorised. The remaining changes will be implemented by legislation in this year's Finance Bill.

Threshold

1. At present the special rules for taxing benefits in kind apply only to directors and higher paid employees: for this purpose "higher paid" employees are currently those earning at the rate of £8,500 p.a. or more.

The Inland Revenue's consultative paper on the taxation of cars as a benefit issued last August raised the question whether this threshold should be retained in respect of cars.

Before coming to a decision on the retention of the threshold for this and other benefits the Government has authorised the Inland Revenue to hold further consultations.

Application of PAYE

2. The consultative paper on cars also drew attention to the administrative difficulties, both for the Revenue and employers, if the threshold were abolished and benefits continued to be taxed as at present by adjustment of the employee's PAYE coding.

It suggested the possibility of adding the monthly or weekly equivalent of the benefit to cash remuneration each pay day and deducting tax from the combined total. The Government has authorised further consultation on this suggestion, for cars and also certain other benefits. A decision whether to retain the threshold would be taken in the light of consultations on this issue also.

Implementation

3. The Government has no intention of introducing any changes as the result of these consultations until the year 1982-83 at the earliest.

Public Expenditure White Paper

More for defence, the law, health; less for jobs, housing, education

Main points in the Government's public expenditure White Paper include progressive cuts in public spending; projection of the UK's net contribution to the EEC on the basis of existing arrangements; and increased funding for defence, law and order, health and social security. Details are set out here.

THE GOVERNMENT'S public expenditure White Paper, published yesterday sets out spending plans for 1980-81 and provisional plans for the following years up to 1983-84.

The White Paper completes the Government's survey of public expenditure in its first year. The main points are:

● The Government intends to reduce total public expenditure progressively in volume terms over the next four years to a level in 1983-84 about 4 per cent lower than in 1979-80.

● Expenditure in 1982-83, the last year covered by the previous Government's plans published in Command 7439, is planned to be 11½ per cent (nearly £9bn in 1979 survey prices) lower than in those plans.

● The UK's net contribution to the European Community is projected in these plans on the basis of the arrangements now existing. The change now under negotiation in those arrangements will increase the savings shown.

● Expenditure in 1980-81 is further reduced since the short White Paper in November 1979 (Command 7746), the main reduction being in housing.

● Expenditure on defence, law and order, health and social security rises over the period of the White Paper. The plans for the industry, energy, trade and employment programme, housing, education and nationalised industries' borrowing are substantially reduced over the period.

Restoration of incentives

The plans in the White Paper represent a substantial change of direction from the plans published by the previous Government in its White Paper of January 1979 (Command 7439). This change is central to the achievement of the objectives set out in the interim White Paper of November 1979 (Command 7746), namely:

● To bring down the rate of inflation and interest rates by curtailing the growth of the money supply and controlling government borrowing;

● To restore incentives;

● To plan for spending which is compatible both with the objectives for taxation and borrowing and with a realistic assessment of the prospects for economic growth.

The main decisions are:

● *Defence* spending rises at 3 per cent a year up to the end of the period.

● Law and order spending rises by 2½ per cent a year, to provide for more current and capital expenditure on police, courts and prisons.

● In the social security programme, provision is made for an increase next November of 75p a week in child benefit and 50p a week in the premium payable to single-parent families, for improvements in the family income supplement scheme, and for uprating certain national insurance benefits (the adult rates of unemployment, sickness, injury and invalidity benefits and maternity benefit) in November 1980 by five percentage points less than the estimated increase in the retail price index—these benefits are not at present taxed but should be. **Retirement pensions and many other benefits** will be raised next November in line with forecast prices. Extra fuel help for the poor next winter will be financed from the contingency reserve. It is proposed to end the earnings-related supplement from January 1, 1982.

Aid cut for industry

● Planned growth in spending on the National Health Service is maintained. Net spending is reduced by increases in charges, including an increase in the prescription charge to £1 from December 1, 1980.

● *Government assistance* to industry is substantially reduced over the period, but in 1980-81 there is increased provision of £116m for BL. This follows the announcement in December that the Government would provide BL with up to £300m cash in the year.

● Provision for employment and training is also substantially reduced, but, as announced, certain temporary employment measures will continue in 1980-81 (the Temporary Short-Time Working Scheme and the Job Release Scheme—the latter in a much reduced form).

● Since Command 7746, the Trustee Savings Banks have agreed to take over £182m of outstanding export credit refinance in 1980-81.

● As a result of decisions announced by the Secretary of State for the Environment on February 21, provision for housing has been reduced for 1980-81 since Command 7746. Lower figures are projected in the later years, reflecting the reduction in local authorities' building programmes and the Government's commitment to reduce housing subsidies.

● Education provision in the later years has been reduced, reflecting a continuation of economies to be made in 1980-91 and the fall in pupil numbers.

More strength for Forces

● By the end of the period, the projection is that the nationalised industries, in aggregate, will be making net repayments of borrowing as current losses are reduced and underpricing of electricity and gas is eliminated.

● *Civil Service* numbers are on a downward trend, and local government manpower is also expected to decline overall during the next four years. Some increase is expected in armed forces manpower, after past reductions, and in the health service there will be a continuing increase in staff directly serving patients, accompanied by measures to restrict the number of management staff.

● The contingency reserve in 1980-81 is increased since Cmnd 7746 from £¾bn to £1bn. This is precautionary: the Government will aim to avoid or minimise any additional expenditure from the reserve and to keep as much as possible of the reserve unspent. The reserve provision for the later years rises progressively to £2bn in 1983-84.

1980-81

The plans for 1980-81 have been reduced since the publication of Cmnd 7746. That short White Paper showed the result of the Government's first scrutiny of the plans for 1980-1981, designed to stabilise public spending for the time being. The importance of the changes in direction already agreed in that first scrutiny, in relation to the plans of the previous Government, made early public guidance appropriate. The continuing growth of the money supply, which required the corrective action announced by the Chancellor of the Exchequer on November 15, 1979, together with worsening economic prospects generally, showed the need for further reductions in planned expenditure. These are incorporated in the present White Paper.

The combined effect of the changes in both White Papers is to reduce planned expenditure in 1980-81 by about 5½ per cent (£4bn in 1979 survey prices) below that planned by the previous Government in its White Paper of January, 1979 (Cmnd 7439).

The plans in this White Paper are the basis for setting the cash limits for 1980-81. It was announced on March 14 that the provision to be added for pay and price increases in 1980-81 over 1979-80 is 14 per cent for most current expenditure, slightly more for capital expenditure.

The Government intends to hold the cash limits determined at the start of the financial year. Unless costs are contained within the provision in the 1980-81 cash limits for cost increases, these limits will require a reduction in the planned volume of expenditure in that year. Account has been taken of this possibility in the general allowance for shortfall for 1980-81.

The largest single expenditure programme is social security. This grew by nearly £5bn between 1974-75 and 1979-1980 while other programmes declined (net) by £3½bn, and it now accounts for about a quarter of the total and is still rising. This programme and four others—defence, housing, education and health—together account for over two-thirds of the total.

The plans reflect the Government's policy to give greater priority to defence, and law and order; and to maintain the planned growth in spending on the national health service. These programmes are planned to rise throughout the period. The main reductions over the period are in the industry, energy, trade and employment programme, housing and education; and in the total net borrowing requirements of the nationalised industries.

Public service manpower

The Government believes that there is substantial scope for increasing efficiency in most programmes. A number of policies are directed to this end, including the setting of strict cash limits, the review of Civil Service costs, and the scrutinies of central government functions being carried out under the direction of Sir Derek Rayner. The reductions in programmes included in this White Paper will contribute, as will the measures being taken to require individual local authorities to publish manpower and other information and to introduce proper accounting procedures for direct labour costs.

Public service manpower has stabilised since 1976-77, following earlier expansion. The Government intends a continuing reduction over the next few years.

In central government, Civil Service numbers will be on a downward trend, despite some increases in Social Security staff because of an assumed rise in the number of claims for benefits. The measures announced by the Lord President on December 6, consequent on the Government's review of the size and cost of the Civil Service, will save the equivalent of some 40,000 posts. Added to previous measures saving 20,000 staff, these savings so far identified amount to about 9 per cent of the total size of the Civil Service when the Government took office.

In the health service there will be more staff directly serving patients, but measures to restrict the number of management staff. There will be some increases, after past reductions, in Armed Forces manpower. Both for the health service as a whole and for the Armed Forces, the increase in manpower will average about 1 per cent a year over the four years up to 1983-84.

National asset sales

In local government, manpower is expected to decline overall during the next four years. This is consistent with the projected decline in gross local authority current expenditure, 70 per cent of which represents manpower costs.

At the time the White Paper was printed, a contribution of over £1bn to the Public Sector Borrowing Requirement (PSBR) in 1979-80 was expected from special sales of public sector assets. The receipts from sales of New Town assets in 1979-80 are now expected to be less than then forecast, so that total receipts will be slightly under £1bn. The sales in 1980-81 (a target of £½bn) are expected to bring a small continuing net benefit to the PSBR in later years, as a result of the reduction in provision needed for total borrowing by public corporations, partly offset by the reduction in public sector receipts in future years consequent on the asset sales.

In assessing the implications of the expenditure plans for taxation, the borrowing requirement, and the money supply, it is the cost of the plans that matters, not the volume. In four of the past five years (up to 1979-80), the cost of public expenditure has risen by rather less than (or at least no more than) the volume. Between 1979-80 and 1980-91, however, the downward movement in the cost of the expenditure plans (before the shortfall and special sales of assets, and including debt interest) is expected to be up to ½ per cent less than the fall in the volume.

The ratio of public expenditure (including debt interest) to gross domestic product (GDP) is expected to be about 42 per cent in 1979-80, about the same as in 1979-79 (42½ per cent). The plans in this White Paper are expected to result in a fall in the ratio over the survey period.

Changes in the plan

SUMMARY OF DIFFERENCES FROM CMND 7746: 1980-81

£ million at 1979 survey prices

	1980-81
1. Defence	−65
2. Overseas aid and other overseas services:	
Overseas aid	−3
EEC contributions	+24
Other overseas services	−3
3. *Agriculture, fisheries, food and forestry*	−116
4. *Industry, energy, trade and employment*	+122
5. Government lending to nationalised industries	−200
6. *Roads and transport*	−4
7. Housing	−378
8. Other environmental services	−21
9. Law, order and protective services	−12
10. Education and science, arts and libraries	−21
11. Health and personal social services	−8
12. *Social security*	+65
13. Other public services	−21
14. Common services	−22
15. Northern Ireland	−14
Total programmes	−678
Contingency reserve	+250
Debt interest	+300
Total public expenditure, before shortfall and special sales of assets	−128
Programmes and contingency reserve	−428
Net overseas and market borrowing of nationalised industries	+100
Special sales of assets	—
Planning total	−328
General allowance for shortfall	—
Planning total after shortfall	−328

Public expenditure 1974-75 to 1983-84

£ million st 1979 survey prices

	Outturns					estimated	Plans			
	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1. Central Government	48,195	49,138	47,785	46,156	49,772	52,032	51,665			
2. Local authorities	20,678	20,567	19,474	18,382	18,365	18,617	17,470			
3. Certain public corporations	1,401	1,460	1,328	1,083	1,028	1,068	916			
4. Expenditure on programmes	70,274	71,166	68,587	65,622	69,165	71,716	70,051	68,600	66,900	66,400
5. Contingency reserve	—	—	—	—	—	84*	1,000	1,200	1,500	2,000
6. Debt interest	1,301	1,580	2,055	2,389	2,941	3,300	3,500	3,500	3,300	3,000
7. Total public expenditure before shortfall and special sales of assets	71,575	72,746	70,642	68,010	72,106	75,100	74,551	73,300	71,700	71,400
8. Expenditure on programmes and contingency reserve (4+5)	70,274	71,166	68,587	65,622	69,165	71,800	71,051	69,800	68,400	68,400
9. Net overseas and market borrowing of nationalised industries†	1,388	770	1,567	1,009	446	−600	−50	−300	−300	−500
10. Special sales of assets	—	—	—	−687	—	−1,050	−500	−50	−50	−50
11. Planning total‡	—	—	—	—	—	70,150	70,501	69,450	68,050	67,850
12. General allowance for shortfall	—	—	—	—	—	−250	−1,000	−750	−750	−750
13. Planning total after shortfall§	71,662	71,936	70,154	65,934	69,611	69,900	69,501	68,700	67,300	67,100
14. Percentage change on previous year	+8.5¶	+0.4	−2.5	−6.0	+5.6	+0.4	−0.6	−1.2	−2.0	−0.3

* Balance remaining at 7 March 1980 in the contingency reserve for the current year. † Includes short-term borrowing and capital value of leased assets. ‡ The planning total (line 11) differs from total public expenditure (line 7) by excluding debt interest (line 6) but including all net borrowing by the nationalised industries (i.e. including line 9 as well as Government lending to nationalised industries in line 1) and special sales of assets (line 10). § For the years 1974-75 to 1978-79 these figures are the outturn of the components of the planning total. ¶ Approximate: excludes nationalised industries' short-term borrowing and capital value of leased assets, for which no 1973-74 estimate is readily available, and is based on only an approximate further revaluation of the outturn in 1973-74 published in Cmnd. 7439.

Total public expenditure by programme

£ million st 1979 survey prices

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Defence	7,462	7,830	7,721	7,550	7,502	7,733	7,997	8,240	8,490	8,740
Overseas aid and other overseas services:										
Overseas aid	628	699	671	718	795	794	779	730	680	680
EEC contributions (*)	−13	16	281	632	774	919	1,024	1,150	1,300	1,550
Other overseas services	699	412	393	486	393	432	406	400	400	400
Agriculture, fisheries, food and forestry	2,484	2,287	1,414	1,081	897	944	877	920	900	890
Industry, energy, trade and employment (†)	5,213	4,299	3,886	2,460	3,203	2,969	2,992	2,390	1,910	1,760
Government lending to nationalised industries	1,187	1,450	351	−238	693	1,900	700	300	−150	−550
Roads and transport	3,820	3,913	3,505	3,022	2,975	3,073	2,910	2,780	2,690	2,690
Housing	7,154	6,299	6,262	5,519	5,256	5,372	4,700	3,840	3,250	2,790
Other environmental services	3,541	3,702	3,343	3,262	3,330	3,273	3,192	3,040	2,920	2,880
Law, order and protective services	2,172	2,311	2,352	2,285	2,329	2,446	2,530	2,600	2,670	2,700
Education and science, arts and libraries	9,584	9,757	9,722	9,363	9,516	9,654	9,225	9,010	8,850	8,670
Health and personal social services	8,328	8,620	8,716	8,777	9,023	9,067	9,186	9,230	9,410	9,500
Social security	14,172	15,378	15,838	16,655	18,266	18,890	19,354	19,800	19,500	19,600
Other public services	949	1,078	1,012	975	958	1,014	976	990	950	940
Common services	969	1,060	1,054	1,022	1,022	1,047	1,066	1,070	1,080	1,120
Northern Ireland	1,925	2,056	2,064	2,054	2,233	2,200	2,136	2,110	2,070	2,070
Total programmes	70,274	71,166	68,587	65,622	69,165	71,516	70,051	68,600	66,900	66,400
Contingency reserve	—	—	—	—	—	84	1,000	1,200	1,500	2,000
Total	70,274	71,166	68,587	65,622	69,165	71,800	71,051	69,800	68,400	68,400
Debt interest	1,301	1,580	2,055	2,389	2,941	3,300	3,500	3,500	3,300	3,000
Total public expenditure (see table 1.1, line 7)	71,575	72,746	70,642	68,010	72,106	75,100	74,551	73,300	71,700	71,400

* Forecasts based on existing arrangements.
† Includes purchase of British Petroleum shares in 1974-75, but excludes sales of British Petroleum shares in 1977-78 and 1979-80 which are included in line 10 of Table 1.1, "Special sales of assets."

£250,000 savings jackpot

By Tim Dickson

A £250,000 monthly prize is to be added to the list of premium savings bond prizes from July. The biggest single payout at present is a weekly £100,000.

The £¼m jackpot is a result of the Government's decision, announced in yesterday's Budget, to increase the premium savings bond fund by just over 20 per cent.

At the moment the Department for National Savings pays out a total of about £6¼m each month—this will rise to about £8m in July.

The Chancellor said yesterday that there will be a substantial increase in the number of £100 prizes.

THE BUDGET

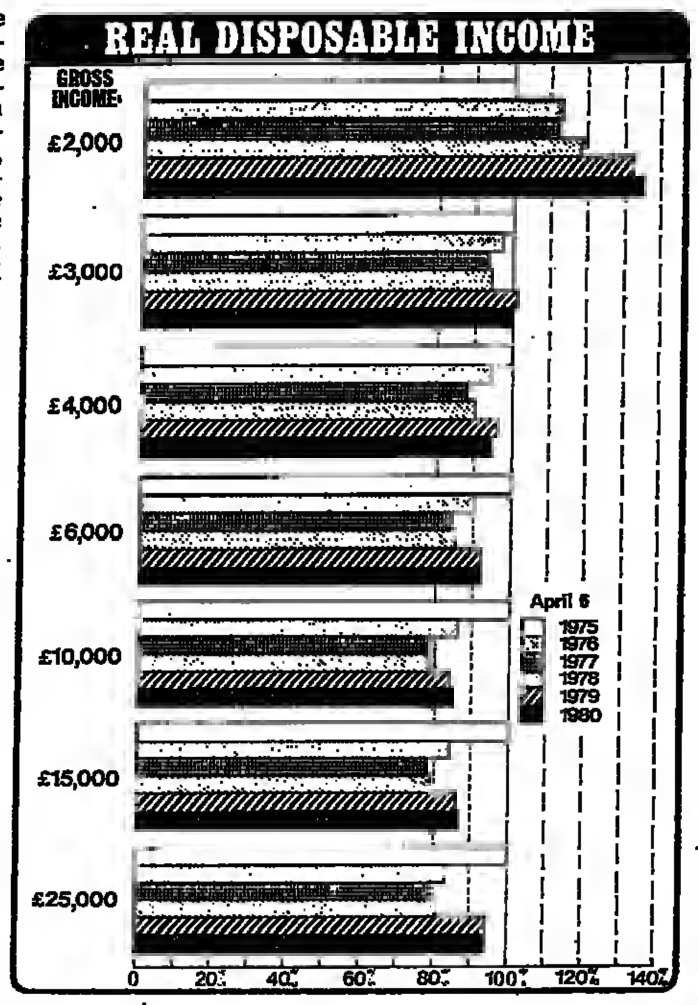
PERSONAL TAXATION

Tax changes that mean little

WITH HIS increases in the main income tax personal allowances, and the abolition of the reduced rate hand, the Chancellor has managed to achieve a douhle. The 18 per cent increases in allowances meet, slmost exactly, the requirements of the Rooker/Wise clause, that those allowances he increased annually in line with inflation. On the other hand, the removal of the reduced rate of 25 per cent provides sufficient compensation in revenue terms for those increases in allowances. On their own they would have caused too heavy s loss. But also doing away with the reduced rate enables the Chancellor to simplyfy the structure and to save staff.

The increase in the persooal allowance from £1,815 to £2,145 would provide a henefit for a married man paying only basic rate tax of £99. The abolition of the 25 per cent tax rate on the lowest £750 of his income produces an offsetting cost of £37.50. But the overall position of the married man with children is further improved by the rise in cbild benefit from £4 to £4.75 promised for the autumn.

For s single man, the increase of £210 in the personal allowance, and absence of the lower rste, provides a oet benefit of £25.50 if he pays tax only at the basic rate. Those paying bigher rates at the margin clearly benefit more in pore money terms, but less as a proportion of income.



The higher rates of tax (40 per cent to 60 per ceot) remain unaltered, but the threshold at whicb each of the bands commence has been lifted by approximately 11 per cent. The top rate now cuts in at a taxable income of £27,750.

The investment income thresbold has been lifted from £5,000 to £5,500, but no more drastic cbange proved possible—all that we bave is a promise that for future years this figure, snd those for eacb band of tbe higher rates will be fully indexed.

A welcome relief has been provided for widows — the single persons allowance in the year of bereavement will in fact be equsl to a married persons allowance. And the single parent's allowance is slso increased by £120 to £770. The personal reliefs for the elderly go up by 18 per cent.

There were three other tax changes affecting individual taxpayers generally—two of them welcome, and the third less so but oot unexpected. This last is tbe cut ln tbe rate of tax relief on life assurance premiums from 17 per cent to 15 per cent. But it will not berome effective until April, 1981.

There is a welcome removal of what many bave always seen as an anomaly—the charge to capital gains tax on the sale of a house where its owner has let some part of the accommodation and himself used only the remainder. And equally welcome will he the relief now to be given against tbe higher rates of tax for charitable deeds of covenant. The ceiling for these is £3,000 per annum, snd decds themselves can now he for four years only in place of seven.

The overall picture of the main Income-tax "changes" must he that they amount to little. At all inrome levels up to just over £12,000, the married man will benefit by around £60 per annum. Over that figure, where the benefits of the raised threshold snd wider bands of the higher rates hecome effective, the benefits are much greater.

The table shows, for seven representative taxpayers with earnings ranging from £2,000 to £25,000, wbat has been the effect on their real disposable incomes—spending power left in his pocket by the Chancellor is what budgeting is about for the individual taxpayer. The assumption bas been made that each of them had the maximum permitted increases in earnings during three years of psy policy from April, 1975, to April, 1978, and that since then they have heen in line with the sverage increases ln earnings. Tax and national insurance are taken out, and child henefit for two children added In. The net spendable income numbers so arrived at have then heen indexed (1975 = 100) in line with the movement in the Retail Price Index.

Tbose at the hottom of the incomes acale, so long as it is true that they have been able to hook their earnings increases to wbat is probably mis-called the "norm," have steadily improved their standards of living. Those at the other end are hehind tbe game, hut not so far hehind lt as they were two years ago. But surely the middle range, including for instance the young executive on £10,000 should have been hetter treated than he has?

The Chancellor has started his promised attack on perks in a small way. He hopes that his other messures will induce employers to reduce their provision and he has singled out three areas for immediate attention.

The scale rates on which the users of company cars are taxed are to be increased by around 20 per cent from April, 1981, while the qualifying mileage at which the rates are halved for bigh mileage users is to be reduced from 25,000 miles per year to 18,000. The proposed figures will still only represent about 40 per cent of the Revenue's estimstes of the cost of running a car with an annual mileage of 8,000; the Revenue's figures are hased on AA estimates for 1979 and with this lead time in translating statistics into taxable benefits the company car continues to be extremely valuable for the ordinary employee. However, cars whose business use is insubstantial will be taxed st 1½ times the scale figure. Insubstantial use is re-defined as less than 1,000 miles per yesr. In addition the henefit of second and subsequent cars provided by tbe employer wil lalso be taxed at 1½ times the scale figure from April, 1981 regardless of the extent of business use.

The Chancellor wisbes to tax sepsrately the provision hy the employer of petrol for privste use. However he sees great administrative problems and will discuss the matter with employers. Again he bopes thst his strictures will decrease the provision of private petrol, and he is not therefore committed to tax this benefit separately in next yesr's budget, pending the promised discussions.

The assumed values on which tax is charged where an employee is allowed the use of other assets which continue to belong to the employer have been douhled to 20 per cent of the original cost for assets provided after April 5, 1980. This has heen a rapidly growing and tax-effective way of providing employees with articles ranging from suits of clothing to yachts and hi-fi equipment, since the asset could previously be given to the employee after one year when the only sdditional tax charge was on the secondhand value st the time the employee acquired it.

When assets first provided after April 5, 1980, are transferred to the employee, tax will he charged on the original market value of the assets, less the amounts already taxed. Of course, any price paid by the employee is deducted from the taxable value. This should effectively stop the provision of msny of the more esoteric perks.

Thirdly, the official rate at wbich beneficial loan arrangements are to be taxed has been increased from 9 per cent to 15 per cent with effect from May, 1980. The threshold helow which no charge arises has been substantially iocreased from £50 to £200 of interest per year and loans which would in any case quslify for tax relief continue to be exempt from any charge. Any lnterest paid by the employee is deducted from the interest charge at the officisl rate in arriving st the taxable benefit.

Thus an employce may borrow £1,333 interest free for a full year for sny purpose without incurring s tax charge; a £5,000 loan repsyable over five years without interest would give a tax charge on £675 in the first year.

All of these special charges on benefits in kind continue to apply to directors and to employees earning in excess of £8,500 per year. Sir Geoffrey implies that he agrees with representations from some professional hodies that there is no valid reason for treating the higher paid more severely than other employees for these purposes althougb he foresees considersble practical difficulties for employers and the Revenue if benefits are to he taxed in the bands of all employees. He proposes to consult employers during the next year and to review the matter in next year's Budget.

David Wainman

PETROL AND VEHICLE EXCISE DUTY

Heavy lorry handicap

THE PROPOSED increases in duty on petrol, diesel fuel and vehicle excise duty will add an estimated £300m to industry's costs in a full year.

The rosd haulage industry will have to find an extra £90m in vehicle excise duty (VED) and £55m extra for diesel fuel. That sdds abont 1.5 per cent to daily operating costs, according to the Freight Transport Association.

The industry is in the grip of recession — exacerbated by the steel strike — and it is extremely douhtful if all the incresse can be passed on to customers. Hauliers have already fallen hehind and failed to recover 15 per cent of a 21 per cent cost increase in 1979.

By increasing the VED on goods vehicles of over nine tons unladen weight by 30 per cent against 20 per cent on other vehicles, the Government has returned to its theme that heavy lorries must pay their full share of road costs.

The latest changes will involve a ten-ton lorry having to carry a VED load of £1,072 a year compared with the previous £824.

The baullers last night took the view thatt hese changes were pre-empting the Transport Department's proposed changes in the way vehicle excise duty is assessed for heavy goods vehicles.

But the Department insisted that the Minister intends to introduce the sppropriate legislation for a fairer distribution of motoriing taxation "at the earliest convenient moment."

The Chancellor's measures will do nothing to make the system any fairer. The Transport Department's own figures sbowed that all vehicles over 12 tons gross weight will pay an estimated £600m in tax in the current financial year but incur track costs of £590m.

The various road-user organisations complained in harmony last night about getting a raw desl in that in the current year only £1.85bn of the £5.57bn road user taxstion was spent on road building or maintenance, or less than one third. Five years ago the proportion was more than half.

The Government will now collect well over £6bn a yaar and even at the present rate of spending only 30p in the £ will be earmarked for roads. But the motoring organisations — the AA and the RAC — both expect spending to be cut again in view of the reduction in public expenditure now called for.

Mr. Norman Fowler, the Transport Minister, in a written answer yesterday, said his Department was going ahead with its plans to phase out vehicle licensing offices to save more than 1,000 civil servant jobs and £7m in administration costs.

There will be further savings from changing the minimum licensing period from four to six months, a measure to take effect on October 1 this year.

Nearly all relicensing work will be transferred to an increased number of post offices. And post offices will sell £5 stamps to be used in whole or part payment for any vehicle licence. Sales will begin on August 11.

The Motor Agents5 Association said there was no reason to expect increased petrol costs to have any adverse impact on car sales.

The motor agents, hauliers and the Society of Motor Manufacturers and Traders all welcomed the fsct that the tax on diesel fuel bss heen brought into line with that on petrol. In the past Britain bas taxed diesel fuel higher than almost any other country.

"Development of the diesel car eogine can now go ahead on engineering merit," said the SMMT.

The society was more scepticle about the valne of abolishing VED on electrically-propelled vehicles, noting that, "Any large expansion of use of this type of vehicle is still a long way off."

The Chancellor said he was making the change to encourage development of alternative road fuel sources. But the concession is relatively small. About 35,000 electrically propelled vehicles currently pay concessionary rates of VED. Almost all are light goods vehicles and typically pay VED of between £40 and £70 s year.

On the domestic front petrol sales are not expected to fall significantly following the 10p a gallon price rise that came into force last night.

The 10p increase, which will take the average price of a gallon of four star from about 122p to 132p, includes VAT and duty. Duty has been put up by 8.64p a gallon from 36.82p to the price of a gallon of four 45.46p. The total tax take from star is estimated to have risen from 43.4 per cent to 47.5 per cent.

But the major oil companies, including Shell and BP Oil, said petrol sales would probably only fall temporarily and volumes could well recover within a matter of days. They were sceptical about the Chancellor's claim that duty on petrol and other oil products should be increased so as to prevent oil reserves being wasted.

The increased tax on petrol will yield an extra £450m. Duty on derv has been increased by 3.64p a gallon which will add an extra 4p a gallon to pump prices and yield £55m. The duty on fuel oil, lubricating oils, gas oil and aviation fuel has been in-3.5p. The revenne will he about £50m.

The Chancellor warned that he would introduce a duty on petrol given free to employees if the practice continued to grow. At present around 60 per cent of all cars—there were 14.5m on the roads last year—are company owned.

Petrol sales are currently growing at around 2 per cent a year and over 5.6bn gallons expected to be sold in 1980. Shell said the average motorist buys 330 gallons s year and the latest tax rise wonld sdd just over £38 to his annual bill.

The Motor Agents Association said yesterday that the increase in petrol prices would sccelerate the closure of some of the smaller petrol stations. There was "no doubt that more would go to the wall" especislly in aress where there was already petrol price cutting. Last year 1,805 petrol stations shut down —6.4 per cent of the total.

Kenneth Gooding, Sue Cameron

DRINK AND TOBACCO

Relative relief all round

THE DRINK and tobacco Industries collectively gave a large sigh of relief at the lower than expected increases in excise duty on beer, wines, spirits, and cigarettes. Had the Chancellor decided to Increase duties In line with inflation since they were last increased—in 1977—then the price rise for both cigarettes and alcobolic drinks would bave heen at least double if not more.

The tobacco industry, which has been smarting at criticism of the bad effects on healtb of smoking, had expected a much higher increase in the helief that an attempt would be made to discourage smoking as well as raise revenue. However, the 5p increase on a packet of King Size cigarettes — which sre smoked by six out of every ten smokers—was sligbtly less than the 6p per packet increase in the Budget last June as a result of the higher VAT imposed then.

The VAT increase last year led to an immediate 10 per cent fall in cigarette consumption by the 19m regular smokers in the UK. But within a few weeks sales quickly recovered and the year ended only abont 1.5 per cent down in sales. It seems likely that a similar sharp fall In sales will follow the latest increase — especially following the heavy pre-Budget buying — hut tbat sales will later recover.

However, the duly lncrease may have greater significance In sparking off a reoewed price war among the major cigarette manufaclurers who are anxious to maintain market share while the King Size market is still growing. Price Increases inspired hy the Budget tend to focus smokers' attention on price rather than hrand loyalty, and forcing tohacco companies to offer price promotlons wlth often disastrous effects on profitability.

The duty increases are not due to take effect until goods cleared from midnlght tomorrow and tbe msjor tobacco rompanies are expected to announce today or tomorrow by how mucb and when retail prices will increase. There seems little prospect of the increase in dnty heing absorhed by the manufacturers and not passed on to smokers.

The Customs snd Excise estimate that the effect of the duty increase will be to bring in anotber £180m in 1980-81 and £195m in a full year. The tobacco industry already psys ahout £2.5bn in duty plus a further £500m in VAT. The latest increase means tbat duty and VAT combined account for nearly three-quarters of the total revenue earned by the tohacco industry.

Apart from cigarettes, the duty Increases will mean about 5p per packet extra on five whiffs or ten small cigars. Hand-rolling tobacco will go up hy 7p per 25 gram pack, whila plpe tohacco will he less at a 3.75p increase for a 25 gram pack.

On tbe drinks side the brewing industry has proved traditiooally resilient to changea in duty in tbe past. The last increase in excise duty of 10 per cent in January 1977 led to an annual fall of 1.3 per cent but the previous year was exceptionally good because of the weather.

This year the industry doea not see any resson to alter its pre-Budget forecasts of total demand up hy just under 2 per cent. Its main worry is not so much with the increase in excise, about which there is relief, hut the increased transportation costs.

Distribution bss proved to be one of the most vulnerable of brewing industry considerations and higher distribution costs this year following wage settlements of over 20 per cent will particularly hit the Big Six national hrewing groups.

There were some indications last night that the price of a pint of beer in many parts of the rountry will probably increase by 3p a pint. The large groups in particular are likely to have to do this in order to cover increased costs.

The trade has some scepticism about lhe Chancellor's projected increases and last June the increase in VAT which the Government expected would mean an extra 2p a pint led to average rises of 3p.

Publicans are fairly pleased with the Chancellor's announcements. His moves on gambling machines are likely to hit the clubs which have been able to sell much cheaper beer because of the suhsidy involved. The duty-related increase will also he proportionstely higher on club beer than that sold in puhlic houses.

Despite puhlic protestations about the increase of 50p on e bottle of whisky, distillers in Scotland are happy that the industry escaped the increases lt believed were on the way. The consensus among analysts and the City bsd been increases of between £1 and £1.40 a bottle.

Whisky prices have, in effect, risen twice this year already. The switch to metrication led to a price increase at the beginning of the year of 3½p a bottle. And last month the distillers announced price increases which have resulted in increases averaging another 30p a bottle.

Due to exceptiooally hlgh releases from bond last year the availahle whisky stocks are high. The industry talks ahout a psychological barrier of £5 a bottle and with the duty increase this figure is now well hreached. However, the supermarkets which rely on sggressive pricing for their wbisky sales are not expected to pass on the full increase in duty for the next month or so.

Wine sales are probshly the most vulnerahle to the Chancellor's measures. The Wine and Spirits Association had heen campaigning bard for a six-week deferment of duty to belp its members' cash flow problems snd they have been disappointed for the third year. Wine sales increases bave slowed down considerahly over the past few months and the last increase in duty in 1977 meant a decline in sales for six months.

The trade is worried that its distributive costs will soar becsuse of the increased transportation rosts and also that the continued squeeze on personal Income will deter occasional wine drinkers from huying or in many cases trading down their type of wine.

Davi Churchill, Gareth Griffiths

GAMBLING

Stiff taxes on casinos

THERE WERE sharp cries of pain in London's clubland last night, for the Chancellor's stiff new taxes on casino gaming—designed to boost the revenue yield in a full year from £6m to £15m—confirm that the boom days for UK casinos are well and truly gone.

In addition, the rate of bingo duty is being raised to yield an additional £10m yearly and the dnty on gaming machines is being restructure to produce an extra £1m.

Changes in taxation on casino gaming will hegin on October 1, 1981. The present duty, bssed on the rateable value of casino premises and the number of gaming tables provided, has been scrapped. Instesd, the duty for each six-month licensing period will consist of an advance psyment of £250, plus a final payment based on the following percentage of the gross gaming yield, defined as stakes less winnings.

Two and s-half per cent of the first £250,000, plus 5 per cent of the next £500,000, plus 10 per cent of the next £1.75m, plus 20 per cent of the remainder of the gross gaming yield in the six-month period. Transitional arrangements will operate for the licence periods up to Septemher 30, 1981.

"The changes are penal," said a leading casino manager last night. "According to my estimates, the duty yield will be raised hy more than three times, not two-and-a-half."

However, the new taxes fall a long way short of those recommended by the Rothschild Royal Commission on Gambling in 1978. Lord Rothschild's Commission proposed a severe restructuring of the duty system, which in 1977 would bave raised casino tax receipts from £5.5m to as much as £54m —£40m via a new tax on casino gamhlers, plus an additional £9m from casino owners.

The heaviest burden of the higber rates will inevitably fall on the 23 casinos in London, but those in the provinces will also suffer sharp falls in profits.

Together with a depressed tourist industry (and thus a dearth of hig spenders), the continued strength of sterling, uncertainties over several existing major casino licences and the disaffection of investors, the casino sector has been virtually stripped of its last vestige of glamour.

From September 30 this year, the rate of hingo duty will be increased from 5 per cent to 7.5 per cent of stakes and from 1/19th to 3/37ths of any amount hy which the total value of prizes exceeds stakes after deduction of duty payable. Bingo duty in 1978-79 was £19.4m. The new revenue yield wil lproduce an extra £10m a year.

The point of the new gaming machine licence duty is a new peak rate duty of £300 a year for jackpot machines costing more than 5p per play in clubs. Tbe additional revenne yield is a little more than £1m.

Michael Thompson-Noel

NATIONAL HERITAGE

Fund treated as charity

THE ARTS have done well out of the Budget and the accompanying public expenditure provisions for 1980-81. In total, the Government is giving £163.2m to arts bodies, museums and libraries in the year, a rise of 18.1 per cent. The principal grant is the £70m for the Arts Council which was announced last week.

In addition, the Chancellor announced in the Budget changes designed to encourage the preservation of the national heritage. The National Heritage Bill is planned to receive the Royal Assent on March 31. It will provide £15m a year with which to acquire for the nation works of art in lieu of capital transfer tax, through the National Heritage Fund. The fund will now gain the same relief from tax as a charity.

There are also more detailed changes. At present, the law provides tax reliefs for funds set up for the maintenance, repair and preservation of historic buildings and their surrounds if the owner agrees to certain conditions—basically that tha puhlic should be given reasonable access. It is now planned to extend such reliefs to cover funds set up to maintain land surrounding a house which has scenic, scientific or historic interest, and also the contents of a housa which are historically associated with it. Since most of the appeal to the pnblic of a stately home is its treasures and gardens, this seems a sensihle move.

At present, tax relief for maintenance funds is only available on money spent on the maintenance of s historic house. When such a fund ends, the property in it has to go to a heritage body or charity. Such restrictions have inhibited owners from setting up maintenance funds of this kind. Under the Budget proposals, the restrictions will be modified to allow recoverability after more than six years, subject to an appropriate tax charge. These new arrangements will also obviate the difficulties at present operating, resulting from the operation of the rule against perpetuities. (At the moment, a maintenance fund must come to an end after a period of around 80 years.)

The main items of the planned expenditure on the arts include more than £33m earmarked for the British Library; £9.3m fur the British Museum; £8.1m for the Victoria snd Albert Museum; £5.75m for the British Film Institute; £5.49m for the Science Museum; £5.3m for the National Gallery; and £4.3m for the Tate.

Antony Thorncroft

STRIKERS' BENEFITS

Raising the cost of going on strike

THE DECISION to raise the cost of going on strike hy reducing the level of benefit that strikers can claim for their families is a political not a financial one.

As the Chancellor said ln his Budget Speech, payments to strikers are "widely and understandably resented." He has heen persuaded hy the argument that social security payments are sufficiently generous to influence workers' decisions whether to strike, and how long to stay out.

The measure, which Mr. James Prior, Employment Secretary, has always heen keen to introduce, is designed to shift the halance of industrial power towards the employer and at the same time to give trada unions more control over their members.

Details of the plan bave yet to be announced, hut it is likely to apply to official as well as unofficial disputes. When a worker goes on strike, he will be assumed to be receiving £12 a week even lf his union is not giving strike pay. This sum, £2 higher than originally proposed, is ahout the most that any manual trade union allows (it is double the dispute benefit of the Transport Workers') and slightly less than that of the most generous white-collar unions.

Trade unions do not run large strike funds in Britain—partly, it is argued, because Britain is one of the few conntries which pays social security benefit to strikers' families.

In most years they spend only a fraction of their inrome on dispute benefit. Most of their outlay is on administration. Their assets are tied up chiefly in their own office buildlngs and in equity portfolios.

When a major dispute occurs, they may sell their lnvestments or start a strika levy. Sometimes, as in the case of the Iron and Steel Trsdes Federation today they decide to pay no henefit at all, hut spend their money on administration of the strike and propaganda. The ISTC—a relatively rich union worth shout £11m in all—has spent over £1½m running tha strike. If it triad to match the Government's £12 "deemed" strike pay, it would be facing a bill for a further £14m.

The great majority of British strikes are unofficial. Generally they are short and it takes time for the necessary procedure to declare s strike official. Sometimes unions will not support a strike for financial reasons.

The logic of the deeming proposal is that unions should now raise subscriptons suhstantially to match Continental or U.S. levels, and huild up big strike funds with which to do hattle. This may or may not ha what the Government intends, but it is unlikely to happen to any great extent.

More probably, unions will give the hardship factor greater account, and one result of that might he to reinforce an already visible trend—especially in the white-collar field—to take selective action involving small numbers in sensitive areas like computer centres.

The sums involved are not very great at present, even in exceptional years like 1971 wben benefit paid to strikers totalled £4.3m (the post office dispute), 1972, when £8.5m was paid mainly to miners and builders and 1974 when £5m was paid to miners. The steel strike has cost about £8m in supplementary benefit.

Last year, for example, strikers' dependants received a total of £2.5m. Nearly 50,000 strikers qualified—to be eligible the strike has to last more than two weeks—and just 251 received benefit for themselves qualifying under tha "urgent need" heading. Thes average weekly payment was thus £17.39 for the main category.

Thus the sums generally become significant only when there is a long, all-ont dispute.

According to a study hy the engineering employers, supplementary benefit is generally paid to only a small proportion of strikers, and seldom accounts for more than a qnarter of the family'a income during the dispute. In long disputes the ratio of that receiving sngplementary benefit can rise to a third or a half.

Much more important sources of incoma are tax rehates, savings, pay "in hand" and the spouse's earnings. In some cases one can add income from "moonlighting" — especially among craftsmen who can readily turn their skills to good use.

As well as "deeming" strike pay of £12 a week, tha Chancellor has abolished the what is known as the "disregard," used for assessing eligibility for supplementary benefit. At present, the first £4 of a striker's income, whether from tax rehate or his union strike fund, and the first £4 of his wife's earnings are disregarded wben calculating the shortfall between his resources and his naeds. In future, the full tax rebate would ha taken into account, which appears to he a further disincentive for the atriker.

In addition, and as part of the wider proposal to tax unemployment henefit, social security payments to strikers' families would become taxahla.

Christian Tyler

PUBLIC EXPENDITURE

A steady reduction in spending

"THE MOST far-reaching review in recent times of medium-term expenditure plans" is how the Chancellor characterised the public spending decisions which were at the heart of his Budget Speech and of the financial plans unveiled with it. His hope is clearly that he will be judged on the immediate cuts that he has anounced for 1980-1981, but also, and mainly, on the steady reduction in public spending which he plans to carry through between now and the next General Election, in 1984.

The cuts proposed for next year are very much in line with pre-Budget expectations of around £700m, in terms of the "funny money" (1979 survey prices) which is used to measure the volume of public spending. In the event, cuts in specific programmes amount to £668m. In prices ruling in 1979-80, the Chancellor estimated this as being equivalent to £900m.

By far the biggest cuts (392m) is administered to that regular Budget scapegoat, the housing programme. The other major reduction (£182m) is in the Export Credit Guarantee Department, with smaller sacrifices being spread broadly over most other government activities, except law and order.

Despite the social security cuts which were the centrepiece of the Chancellor's announcement, the social security budget will be £31m higher next year than the estimate in the White Paper of November, 1979.

In addition, the Chancellor has kept up the tradition of imposing across-the-board cuts on all departments without the need for detailed political agreement in Cabinet by failing to take full account of the likely rate of price and wage inflation, in setting the cash limits which determine how much money each department is actually allowed to draw from the Treasury.

The cash limits have assumed inflation of 14 per cent between 1979-80 and 1980-81. Since the Chancellor in fact expects the outcome to be "a point or two higher," the cash squeeze will reduce public spending by a further £700m. This is, if anything, a slightly smaller reduction than City analysts were expecting. Perhaps because there is little in the imediate future to satisfy the "hawks" in the Conservative Party, it is on the medium-term projections that the Chancellor wants to concentrate attention.

Having inherited plans for rapid increases in almost all categories of public expenditure from its Labour predecessors, the Government's initial reaction, in June and November last year, was to put all its efforts into holding spending constant in real terms. Only now has the Chancellor taken the bit between his teeth and committed himself to a marked annual reduction in the volume of public spending.

In constant 1979 survey prices, expenditure on programmes (that is, excluding debt interest, contingency reserve and shortfalls) is planned to decline steadily from £71.7bn in 1979-80 to £70bn in 1980-81, and ultimately to £66.4bn in 1983-84. If these plans are achieved, there will be a fall of 4 per cent in real terms over the next four years. By 1982-83, public spending will be 11½ per cent below the volume planned in the dying days of the Labour Government.

This comparison no doubt overstates the contrasts between the two administrations' true intentions with regard to public spending, since Labour's plans were laid before last year's oil crisis and would certainly have been modified in the present, much gloomier, economic environment. The plans in the present White Paper, for their part, become less and less firm as one moves towards the end of the planning period, in 1984.

Beyond 1980-81, the sums allocated for the programmes which will bear the brunt of reductions seem to be statements of general intentions, rather than projections of what specific measures may cost in future years. Many of the painful political decisions which will be required to reduce the housing programme from £4.7bn in 1980-81 to £2.8bn in 1983-84, and the industry and employment programmes from £2.9bn to £1.8bn between the same years have yet to be made.

Nevertheless, the White Paper does underline an all-important difference between the attitudes of the two governments. The Chancellor drew attention to this when he said that the Government would no longer be prepared to build public expenditure on wishful thinking. Throughout the White Paper there is an admirable emphasis on caution, which is typified by the decision to use part of the £668m reduction announced to add £250m to the contingency reserve, rather than to make the bottom line spending total look more dramatic.

The growth assumption embodied in the figures is of 1 per cent per annum growth between now and 1984. Furthermore, far from making any premature credit for a cut in the EEC budget contribution, the paper's expenditure totals include provisions for a modest increase, on the basis of present arrangements. Any favourable developments will significantly relax the constraints assumed in the White Paper and the medium-term monetary plan.

The difficulty of making the sort of cuts which this medium-term plan requires is greatly exacerbated by the Government's pledges to maintain the growth of some of the biggest programmes. Thus defence is to grow by 3 per cent a year, rising from £7.7bn in 1979-80 to £8.7bn in 1983-84. Law and order will grow by 2½ per cent a year, to £2.7bn, and health by 2 per cent to £9.5bn. The scope for offsetting increases in the cost of health care through higher charges is clearly very limited in relation to these magnitudes, as evidenced by the announcement that the increase in prescription charges, which is bound to be highly unpopular, will raise only £30m in a full year.

Anatole Kaletsky

WIDER SHARE OWNERSHIP AND PROFIT-SHARING

Two steps forward . . .

IT WAS part of the Conservative party's election manifesto that a Conservative government would "expand and build on existing schemes for employee share ownership." The Government has now taken two steps in this direction. The first is to make more attractive a scheme under which employees are granted shares by their company as a way of sharing out its profits. The second is to restore the thrust of legislation originally introduced by Lord Barber in 1973 which reduced the tax payable on the exercise by employees of options which allowed them to buy shares in their company at a fixed price. This tax break was subsequently removed by the Labour chancellor, Mr. Denis Healey.

The first, or "profit-sharing" scheme, originally resulted from Liberal pressure at the time of the Lib/Lab pact and was introduced in the 1978 finance Act. Three improvements are now to be introduced, which will go some way to appease critics of the scheme in its current form. The value of shares which can be granted to each employee will be increased from £500 to £1,000 per year, thus making the scheme more relevant to senior executives. The period for which the shares must be held has been reduced from five years to two, and the period for which they must be held to avoid all income tax on their sale has been cut from 10 to seven years. The last two changes, and the sliding scale of taxation which goes with them, may be somewhat disappointing to the Confederation of British Industry but they do give the average employee a slightly increased sensation of tangible benefit from such profit sharing.

Improvement in this profit-sharing scheme was widely expected before the Budget. But the dusting-off of Lord Barber's employee share option legislation was more of a surprise. The details of the new version have not yet been released. The essence of the scheme is that a company grants an employee a fixed price option to buy shares, at some dat in the future, using cash which he saves in the meantime through a special SAYE scheme administered by the Department of National Savings.

The scheme involves two potential tax benefits. First, at the end of the saving periods of five or seven years, the employee receives a tax free, lump sum, bonus. Second, he will not be charged income tax on any increase in the share price over the option price—i.e. on the increase in the value of his option.

The Labour Government greatly reduced the appeal of the original Lord Barber version of this scheme by making any profit arising from an increase in the share price liable to income tax.

The exact taxation provisions of the new version, and the annual contribution which will be allowed under the linked SAYE scheme, have not yet been spelt out. The details should become available in the next two to three weeks according to the Inland Revenue.

In the 1973 version the employee could contribute £240 per year and receive a bonus of £280 after five years and another of the same amount after seven years. One important change in the new version is that the SAYE scheme will be administered exclusively by the Department of National Savings—a restriction which did not apply before.

Nicholas Colchester

PETROL REVENUE TAX

Another bite at North Sea oil profits

IN THE LIGHT of fast-rising oil prices, the North Sea industry had widely expected that the Chancellor would again raise the rate of Petroleum Revenue Tax. This was always considered to be a more likely course for additional revenue-raising than the imposition of a new windfall profits tax.

In the event the basic rate of PRT is being raised from 60 per cent to 70 per cent. What did come as a surprise to offshore oil operators was the decision to advance the payment of part of the tax by six months.

PRT is assessed for chargeable periods, normally of six months ending on June 30 and December 31 with returns due within two months of these dates. It is now proposed that for the period ending June 30, 1981, companies should pay—at the beginning of March—an advance payment for that chargeable period at a rate of 15 per cent based on 1980 liabilities.

The Chancellor said advance payments for later periods would be made in the same way although not necessarily at the same 15 per cent rate.

The measure will hit oil companies' cash flow but it will give the Exchequer a sooner-than-expected boost from North Sea revenues. Sir Geoffrey Howe believes, however, that increases in North Sea oil prices — from around $20.70 to about $33.75 since the last Budget — have strengthened the industry's cash flow.

Not that this is the first time that Sir Geoffrey had adopted his advanced payment tactic. As part of his monetary package in November he advanced the effective PRT payment date by two months, from May 1 to March 1 and from November 1 to September 1. That measure was estimated to raise an extra £700m in the current financial year and £300m next year.

Yesterday's package of PRT changes is expected to raise an extra £535m in the 1980-81 financial year. It will bring the Government's total tax-take, from PRT, Corporation Tax and royalties, to over £4bn in the coming 12 months.

PETROLEUM REVENUE TAX THE MARGINAL £

Breakdown of every additional £ of net revenue

	Present (60% PRT)	Proposed (70% PRT)
Royalty (12.5%)	12.5p	12.5p
PRT	52.5p	61.25p
Corp. tax (52%)	18.2p	13.65p
Left to company	16.8p	12.6p
TOTAL	100.0p	100.0p

Source: British Petroleum

Although increased North Sea taxes were expected—especially in the light of rising prices and high profits reported by British Petroleum and Royal Dutch/Shell—they still brought squeals of anguish from the offshore industry.

British Petroleum, which in 1979 set aside £782m for North Sea taxes, estimated that it would have to pay over £100m more than expected in a full year.

The company pointed out that this was the third adjustment in the offshore tax regime within a year. It considered this to be "excessive." The company would be forced to review development projects under consideration, the spokesman said. Other major companies had similar views.

North Sea analysts at stockbrokers Wood, Mackenzie estimated that the latest changes would increase the overall tax-take from all the fields in the UK sector from the present 77.5 per cent of revenues, net of costs, to nearer 79 per cent. A company paying the full rate of PRT, Corporation Tax and royalties would find itself left with 12.6p in every pound of net revenue as against 16.8p at present.

Even so, there was a good deal of tacit relief that the Chancellor had not reduced offsetting allowances within the PRT framework. This action, widely feared, would have hit profits and reduced development incentive even further.

It is generally felt that in view of the high cost of production equipment and the smaller fields that are now being discovered, very few new offshore projects will reach profitability levels sufficient for future governments to claw back the full amount of PRT and Corporation Tax. (Under PRT arrangements companies are able to write off 135 per cent of capital expenditure and other costs—including abortive exploration—before becoming liable for payment).

The UK Offshore Operators' Association, which represents the North Sea oil industry, said the latest proposed changes would still hit the companies' confidence in offshore operating conditions. "The proposals affected the stability of PRT and were contrary to the promises given by the Wilson government that the tax would not be used as a short-term regulator," Mr. George Williams, director general said. The industry wanted a stable tax regime.

He said the price of oil had risen in real terms by around 46 per cent since 1975. This increase had been more than matched by raised tax levels even before the present Budget. The Government's share of profits had already risen to a maximum level of 83-92 per cent of net revenue.

"The main effect of the Budget will be one of shaken confidence," Mr. Williams said. "Confidence in a stable environment is badly needed if the industry is to increase the rate of exploration which is required."

Ray Dafter

DEMERGING

Splitting the giants

SHORTLY BEFORE Christmas Mr. John Nott, the Secretary of State for Trade, surprised the City and his own department by announcing that a Government working party was looking into ways of making it easier for large companies to break themselves up into their separate components.

Mr. Nott's years as a merchant banker have left him a profound cynic about the virtues of synergy, economies of scale, and the other catch phrases of the takeover boom in the early 1970s. And his views took on a topical note when the General Electric Company (GEC), let it be known at a delicate stage of its unsuccessful bid for Racal that its senior management had for some time been considering the possibility of splitting the group up into half a dozen separate businesses.

This lies behind the Chancellor's decision to bring forward proposals designed to ease the tax obstacles which currently make demerging impractical for most companies. At present, any distribution by a company—whether in the form of cash or assets—is normally subject to income tax in the hands of the shareholder. The company itself is liable to pay advance corporation tax on the distribution. The combination would make a devastating inroad into any attempt by a company to offer its shareholders separate shares in its different subsidiaries in exchange for their single investment in the overall group.

The Chancellor plans to ease the tax bias on distributions of this kind, but he has made it clear that safeguards will have to be retained to prevent tax avoidance. Otherwise, at the simplest level, it would be possible for companies to pile up assets in a subsidiary and then pass them on to shareholders in what would effectively be a tax-free dividend. Only cases which are "concerned solely with the genuine splitting off of independent trades within the corporate sector" will be approved, Sir Geoffrey said yesterday.

The proposals, which have yet to be finalised, will most probably appear during the Committee or report stage of the Finance Bill. The Inland Revenue does not want to get involved in any system of prior clearance, which would involve it in making commercial judgments about particular cases as they came along. It hopes instead to be able to lay down a set of rules by which companies will be able to judge for themselves whether they qualify. The Chancellor said that any outside views on the subject would be welcome.

It is most unlikely that the proposals which are eventually formulated will have a major impact on the shape of the corporate sector. Quite apart from the unwillingness of main board management to preside over a reduced empire, there will remain some solid advantages in the financial muscle which comes with size. Large businesses have advantages when it comes to raising finance, and can support cash-hungry operations with the cash flow of their mature interests. Demerging could involve complicated and expensive changes in the security for existing loan stocks and mortgages. Most important, large groups can offset tax liabilities in one part of their business against allowances elsewhere and this bias is bound to remain.

Moreover, the Government is not at this stage contemplating changes which would make it easier for companies to return cash to their shareholders to invest elsewhere in more profitable or expanding enterprises. Arguably this would bring much more positive gains to the capitalist system than the limited changes which are now being considered. That may come at a later stage: meanwhile any reductions in the distortions which tax causes in the market place will be welcome.

● GUY DE JONQUIERES writes: Sir Arnold Weinstock, GEC's chairman, is understood to believe that splitting up the group would permit greater management flexibility and reduce the threat of a Monopolies Commission investigation which GEC faces at present each time it makes a significant take-over bid.

He is said to believe also that the group's sheer complexity is a deterrent to investors and depresses its share price in relation to its earnings. A number of City analysts agree that the combined market valuation of GEC would probably be higher if it were split into separate components.

This argument applies particularly to Marconi, GEC's technologically advanced electronics arm, which has been exceptionally successful in the field of defence contracts.

Sir Arnold's current thinking apparently calls for the GEC core company left after a de-merger to retain the group's research and development functions.

Income from these activities, its interest in the satellite companies and a share of GEC's cash balances of more than £600m, could provide the financing for developing new areas of business.

Richard Lambert

LEASING AND BANKS

Mainstream activities still protected

THE BANK-BASED leasing industry has nothing immediate to worry about from yesterday's Budget. While consideration clearly has been given to the possible ways in which "windfall" bank profits might be taxed through alterations to leasing arrangements, the actual budget measures are restricted to special and fringe leasing activities which have little connection with banks.

On the contrary, the Chancellor had only kind words for mainstream lessors. "Leasing finance of this sort has become an important—and in many cases essential — source of finance for investment in manufacturing industry."

The Budget measures are directed against lessors who finance the purchase of plant and machinery for use by businesses or organisations outside UK industrial and commercial concerns. Under present rules they are able to offer finance of very attractive terms — currently equivalent to borowing at rates of 8 or 9 per cent—to lessees who would not have qualified for 100 per cent capital allowances if they had been buying the plant or machinery themselves.

The Inland Revenue emphasised yesterday that 100 per cent capital allowances are intended to encourage the modernisation and expansion of UK industry. "The Government considers that investment incentives should not be made available indirectly through leasing to other lessees, and in respect of assets which would not normally have qualified."

The Chancellor's proposals are thus intended to limit 100 per cent allowances for leased plant and machinery to those cases where the fixed assets would have qualified for the allowance if they had been bought directly by the lessee. Plant and machinery which falls outside this category will now only qualify for writing down, or depreciation allowances at 25 per cent a year, on the reducing balance basis.

The Inland Revenue says that three classes of lessee will be affected:—

● Non-residents: the proposals apply to all non-UK residents lessees, except where the asset is to be used for the purposes of a UK trade. This appears to cover export leasing, bringing it within the limited rules on "foreign-to-foreign" leasing announced last October. Export leasing by members of the Equipment Leasing Association last year amounted to only £30m. However, lessors have looked on this as a growth area, and there are likely to be claims that the change will put certain UK exports at a competitive disadvantage with those from other countries.

● UK Tax Exempt Bodies: the principal category here is the local authorities who have been leasing anything from dust-bins to dust-carts under the very attractive old rules. The Equipment Leasing Association estimates that the size of this market is no more than £300m a year, though other estimates have put it as high as £1bn, representing about a third of total local authority capital spending of £3.2bn in England and Wales in 1979-80.

Most of this business is arranged by City money broking firms, who have close contact with local authorities.

● Consumers: the main activity which will be affected by this change is TV rentals, which may now be expected to increase when equipment affected by the new rules is rented out.

Another measure in the Budget will have a major impact on the personal leasing market. Here individuals with temporarily high tax bills have often found it possible to defer these liabilities into later years with lower tax rates by leasing assets such as containers.

In future such individuals will only be able to set off 100 per cent capital allowances against their non-leasing income "where the allowances arise in the course of a trade to which the lessor devotes substantially the whole of his time." It resembles a similar measure many years ago against those stockbrokers with loss-making market gardens.

Michael Lafferty

OPTIONS

Brokers pleased

BROKERS ARE enthusiastic about the proposed change in the treatment of Capital Gains Tax on traded options.

"We now have the basis for a proper investment market," said Mr. P. R. Stevens, the partner in the stockbroking firm of Laurie Milbank, who has been heading the Stock Exchange Committee submitting evidence for a change in the tax position. If this is approved, CGT will be charged on the same basis as share warrants.

At present, traded options are treated as wasting assets for Capital Gains Tax purposes. The cost of a call option closed before expiry is, for CGT purposes, the purchase premium multiplied by the number of days to the expiry of the call contract, at the sale date, divided by the number of unexpired days when the option was bought. In other words, an investor taking out a call option at 6p could still be liable to CGT even if the price of the contract fell to 2p. The Chancellor's proposal means that traded options will be treated in the same way as any other security.

The wasting asset treatment has been blamed for the often sluggish volumes seen on the traded options pitch since it opened in the London Stock Stock Exchange two years ago.

The City has yet to see the fine print of the Budget changes. In particular, it is uncertain whether the CGT exemption granted to pension funds will be extended to any profits they take from trading in options.

But, as Mr. Derek Millard, of Grieveson Grant said, the change in tax status to a share warrant basis "opens the game up. It is all systems go, and the stockbroking firms which have been battering away in this market for the last two years now stand a chance of making good profits."

Ray Maughan

STOCK RELIEF

Relief against the 'dip'

THE CHANCELLOR has come up with a simple but no doubt welcome device for giving temporary relief to businesses which might face extra corporation tax bills solely as a result of temporary "dips" in year end stock values. The move is intended to help those companies put in this position by an industrial dispute or short-term liquidity pressures. "Unless special action was taken tax would in many cases be payable in the following year when cash would be needed for restocking," the Inland Revenue said.

In accounting terms, the effect of a business having lower stocks than it might otherwise have expected is that profits are increased.

The Chancellor's relief starts from this, and provides that businesses may temporarily defer a proportion of the extra profit arising from a drop in stock values between the beginning and end of the year to the following year.

There are two restrictions on the amount of taxable profit (its "dip" which can be deferred in this way:

● The amount of the "dip" in stock value from beginning to end of the year is reduced by 5 per cent, in order to concentrate relief in areas where it is most needed.

● There is also a proportionate reduction in the amount of the "dip" depending on the extent to which stocks are financed on credit. For example, a company with a "di" would find the possibility for deferring that amount of its taxable profit reduced by the ratio of opening creditors less debtors over stocks.

The scheme will be a continuing one, but is not expected to have any revenue impact after 1981-82. In 1980-81 the cost is put at £210m, while a further £125m is estimated for the following year.

In practice, because the scheme is designed to deal with temporary stock "dips," it will not be possible for businesses to get relief in two succeeding years.

Michael Lafferty

SELF-EMPLOYED PENSIONS

More help for self-help

THE SELF-EMPLOYED and others not in a company pension scheme are being given more help in making their own pension provision through a life company scheme. As from 1980/81 the Chancellor is first lifting the limit on contributions from 15 to 17½ per cent of net relevant earnings with the higher percentages available to persons born before 1916 each being increased by 2½ percentage points.

Second, the Chancellor has abolished the overriding ceiling of £3,000 on premium contributions. The only limit on contributions, which qualify for tax relief at the person's top rate, is the percentage of earnings. Carried forward provisions of unrelieved premiums will be ended.

This is the first major change made to the tax relief given to self-employed pension provision since the present system was introduced in the 1956 Finance Act. The original scheme set the limits on contributions for tax relief at 15 per cent of earnings with an overriding maximum limit. This maximum has been increased from time to time, although such increases have tended to lag behind inflation. The current limit of £3,000 was fixed in 1977 with correspondingly higher limits for persons born before 1916.

The higher earning self-employed will therefore be able to pay much higher contributions into their pension plans, receiving better pensions at the time of retirement. For example, a person earnings £50,000 will be able to pay £8,750 towards his pension, getting full tax relief, instead of £3,000.

The self-employed have for many years been campaigning for the right to put more aside towards their retirement. (Such persons have to make their own provision, since they only qualify for the basic State penion.) The self-employed organisations have continually pointed out that their members are discriminated against compared with the treatement given to controlling directors, who can make more generous pension provision under current tax rules.

The Chancellor has also relaxed the rules for calculating net relevant earnings, so that it will no longer be necessary to deduct personal charges, such as mortgage interest. On the other hand, stock relief will be deducted like capital allowances and losses.

Eric Short

LIFE ASSURANCE

Short-term bonds hit

THE CHANCELLOR brought to a swift end the sales by certain companies of short-term income bonds offering extremely high returns over one- and two-year periods.

Such rates, which rose to more than 19 per cent net of basic rate tax on one-year bonds, were possible because the plans consisted of two or more life policies, one of which qualified for life assurance tax relief. The separate policies were combined artificially to obtain maximum use of this relief, so that the actual return came more from the tax relief than from the underlying investments.

These policies will no longer qualify for tax relief unless the life company can show that, individually, they can stand up commercially on their own. It is obvious that the companies concerned cannot do this, because all have either withdraw their short-term income bond schemes ahead of the Budget or on receipt of the information.

The move has been welcomed by the Life Office Association, which deplored the use of tax relief in a manner not intended by the authorities. Almost all the life companies involved were not members of the LOA.

The Chancellor also announced the reduction in the rate of life assurance tax relief from 17½ per cent to 15 per cent with effect from April 6, 1981. This will bring the rate of relief back to half the basic rate tax.

Before April last year, relief for life assurance premiums was given automatically at half the basic tax rate, the policyholder receiving the benefit by having his tax code adjusted. From April 1979, the system was changed so that the policyholder now pays premiums net of tax relief and the insurance company reclaims the tax from the Revenue.

The 17½ per cent rate was fixed in 1976 when the changeover was first mooted, being half the basis rate at the time. It was also agreed that insurance companies would be given one year's notice of a change in rate. No notice was given in the 1979 Budget, in spite of the standard rate being lowered to 30 per cent.

Eric Short

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871, 883897
Telephone: 01-248 8000
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A statement of intent

Sir Geoffrey Howe's second Budget has proved a great deal less exciting than bis first; but it is also a great deal more important. A Chancellor whn was last year impatient to enact a party manifesto has this year embarked on what will prove, if it is successful, a historic hreak in economic strategy. It is a full expressinn nf monetary strategy, since the Government has this year given the highest priority to ensuring that its own demand for credit is consistent with the monetary target it has laid down, correcting two years nf expensive errnr. More impnrtant, this Budget is part of a declared medium-term strategy.

A revolution

This is not only a fundamental revolution in the management of our affairs—the end, for the intended future, of traditional demand management—hut an act nf some daring. Any Chancellor who puts a plan for sharp medium-term cuts in public expenditure at the centre of his strategy risks being accused of wishful thinking.

The future cuts must depend in part on matters beyond the effective control of any Minister—tbe actions of the local authorities, the trading performance of state industries, movements in the long-term rate of interest, and most difficult nf all, perhaps, the enforcement of tight cash limits across the hargaining table. The Government has in fact set itself a very ambitious programme.

However, it is also clear tbat ransom is available to redeem any hostages tn fnrtune. If the Government's plan is bold on the expenditure side, it is very cautious in its underlying assumptions. Instead of distributing "planned" or "expected" growth which seldnm, in the event, materialised, it is hased nn a projection of a 1 per cent *annual* rate nf *growth* nf GDP *after* a sethack *in* the current year. Further, no credit is taken for any easing of the burdens of EEC memhership;

Above all, however, it is clear that the control of public horrowing is now an over-riding policy commitment. In an unprecedented tahle, the Budget Red Bnok sets out what is termed an "implied fiscal adjustment"—that is, the scope for net tax reliefs assuming that spending and growth forecasts are correct. Here again, the Government's determination is evident.

The projections also explain the urgency of the need to cut spending. Despite cuts of more than 4 per cent over the next three years, it will he two years hefore Sir Geoffrey is in a position to make any net reductions in the tax hurden. The need to cut back public sector horrowing so that monetary growth can be reduced steadily at falling interest rates must take priority. Indeed, it is only the projected growth of North Sea revenue wbicb can finance tbis deferred hope for the future. In effect, the Government bas chosen to accommodate part of the excessive growth of personal incomes in the last two years by cutting the social wage. Without North Sea oil, and the massive financial correction which it will make possible, only a drastic cut in real income could now restore the economy to balance.

Cash flow pressure

Taken as a whole, this seems to us a sane and credible strategy, which sbould in due course convince the financial markets that so far as Government policy can make it possible, we are nnw set on the road to recovery. However, the strategy also has a message for both sides in industry which may not be so readily apparent. It is that under a Government prepared to give such total priority to reducing monetary inflation, the threat implied by uncompetitive costs is not going to go away. On the contrary, it will intensify.

This was apparent not only in the Chancellor's warning that the Government could not manage the exchange rate, but in his decision to take only the most limited steps to relieve the cash flow of the corporate sector, which is under such heavy pressure. He preferred, he said, to take steps which would relieve the pressure on interest rates.

This decision may disappoint some employers, but seems to us a right one. A tax reduction, as much as a relaxation nf monetary control, wnuld risk conveying the old message—or the deadly illusion, as the Chancellor called it—that in the last resort a Government will always come to the rescue of those wbn have run into difficulty through their own folly. A reduction in interest rates, achieved hy a tough Budget and cuts in spending is annther matter. The cost is apparent; and lower interest rates will do more to help growing and credit-worthy companies—and especially those which have succeeded in contrnlling their costs—than a hand-out through tbe tax system.

Enterprise was also the theme of the most interesting part nf Sir Geoffrey's tactical hudget—his measures for the coming year. The tax reliefs for small husinesses are well calculated to increase incentive and to leave the entrepreneur a much freer hand in managing his own business. His measures to encourage direct investment hy emplnyees are alsn welcome, as his hint that he hopes in future to reduce the wbole hias of our financial system towards institutional investment.

The social benefits

Much nf the noise provnked hy Sir Geoffrey's hudget may be generated by his measures affecting social spending. We would strongly endorse his central points. Social security cannot be exempt from general austerity, and once this is granted, the measures are on the whole sensihle and humane.

Tbe Government's decision to tax social benefits from 1982 ought to be non-controversial and the cuts in some henefits, including the elimination of earnings-related supplements, are steps along this road; and tbe cut in what is effectively a Government suhsidy to strikers is welcome on its own account. We regret the failure to protect the real value of child benefit, which represents a sacrifice of Conservative principle, and the raising of prescription cbarges yet again is a somewhat insensitive measure, which hardly seems worth the small saving in cost. Another penny on cigarettes would have been less unpopular and better for health.

The rest of the tax measures are broadly neutral and call for little comment. The lower-rate band will be little mourned except by its begetters in Transport House and the failure to preserve the real values of all bands and allowances is reasonable in an austere year; indeed, it is right that those whose incomes have increased excessively last year should suffer fiscal drag. This confirms the overall impression of a Budget whose sober consistency of purpose seems to have silenced the Opposition in Parliament and deservedly so. If the Government can stick to the strategy outlined, this was an historic occasion.

THE BUDGET

A coherent Budget at last

THE BUDGET may not bave beeo an exciting one for the man-in-th-street, who would be advised to lok to other sources for his kicks. But for the economic observer it is a very exciting Budget indeed.

At long last, decisions bava *been made in a* coherent *framework.* Without pretending to be able to foresee the future, there is a strategy for those elements which Governments can influence.

At long last a Cbancellor has admitted—even stressed—that most of the detailed changes are mainly necessary to offset inflation. Indeed, Sir Geoffrey has pioneered a new coocept of partial indexation, which clearly recognises inflation but does not pretend that real wages real benefits and real tax thresholds can be guaranteed irrespective of economic conditions.

The Financial Statement—or "Red Book"—which outlines the decisions and strategies at long last is a coherent and logical document. Expenditure decisions are put side-by-side with revenua ones in actual rather than "funny" money.

The most important suhstantive point about the medium-term framework is that it is based on the average growth actually recorded in 1973-79. This is 1 per cent per anunm. Moreover that 1 per cent starts from the expected level of output this year, one of recession with output expected to fall by 2½ per cent. (Indeed, some ahstract wording about "the margin of error looking unrealistically low" is a hint that the forecasting machine originally came out with a much larger figure for the drop in output this year.)

Barring some international or domestic catastropbe, actual growth in the period up to 1984 is almost certain to he more than the Government's projection. For once the figures in a medium-term document err deliberately on the side of caution instead of assuming improvements hefore they have occurred.

The result is that there is almost certain to be a "budget margin" in the mid-1980s which could be used either for raducing taxes or increasing public spending—or introducing the Brittan/Riley North Sea Oil Stock. Even the Conservative official projections provide a modest margin of £3½bn for 1983-84 under the lahel "Fiscal adjustment."

Is it too much to bope that, bowever much people may disagree with individual social decisions—for example on Child Benefit, Unemployment Benefit, or prescription cbarges—they will at least accept the Financial Statement as a coherent framework into wbich they can feed their preferred alternatives? The same applies to those who might like a different short-term or long-term path for the financial variables sucb as the money supply.

The short-term decisions make the Budget a tough one, both on the fiscal and the monetary side. After allowing for inflation, the Budget provides for real discretionary increases in tax revenue of over £1bn and for expenditure cuts of £900m (or £575m including an increased contingency reserve).

The actual PSBR figure is expectad to fall from £9bn in the year now ending to £8½bn in 1980-81. More important, this represents a drop from 4¾ per cent to 3¾ per cent in public borrowing as a proportion of the Gross Domestic Product (GDP). Tbis is a stage in the hoped-for reduction to 1½ per cent by 1983-84.

In a different atmospbere, one might regard the short-term judgement as erring on the tough side. But with actual inflation around 20 per cent and confidence in the anti-inflationary strategy still to be established, this is probably the right direction on whicb to err.

The depressive effect on output will, in my view, be to a large extent offset by lower interest rates and a lower real exchange rate than we would otherwise have. Moreover, a built-in regulator is provided. For because of the medium-term framework, it will be possible to separate in a rough and ready way an innocuous PSBR overrun which reflects a deeper than expected recession from a worrying one reflecting a failure of spending control.

The most dubious element in the short-term forecasts as publisbed is the expected continuing £2½bn-£3bn deficit on current account. The most likely result of the contraction in real demand will be a rise in exports and fall in imports relative to trend. This improvement on current account would help to sustain output.

But unfortunately unemployment is still likely to rise fairly fast until the monetary targets feed througb into wage settlements. The main source of trouble bere is in the Government's own public sector hackyard; and the addition to the strategy that I would urge on the economic "dries" would be the abolition of Clegg—which I thought was going to come at one point in the Budget speech.

The amendment on which I would urge the Conservative "wets" to join forces with the Opposition is the future indexation of Child Benefit. This may bave less immediate dramatic appeal than pushing for a larger cash increase bere and now, but it is the surer longer-term safeguard.

Sir Geoffrey might have got away politically with the increase in Cbild Benefit be did announce of 11 per cent—which was in line with the average increase in nominal tax thresholds—if he bad introduced a Rooker Wise-type formula providing for indexation in normal years subject to a Parliamentary override.

This was one piece of enlightenment which together with a specific and conservative projection of oil revenues—was squeezed out by the "anti-hostages to fortune" school of thought.

The 11 per cent figure should be taken very aeriously indeed. It represents the amount by which the Cbancellor felt able to increase average tax starting points and thresholds to offset inflation in a difficult year.

It is no accident that this is also the upper range of tha 7 to 11 per cent monetary target for the 14 months to April 1981. This covers a period in which the "corset" which has been distorting the money supply figures downwards is to be removed. The target, therefore, represents some intensification of the monetary squeeze, compared with the average of the last year, although not with the last few months.

There is an unpublisbed forecast of the temporary boost to the *money supply which is* likely while corset distortions—such as the swollen figure of bank acceptances — are unwound. It is only if the unwinding exceeds present forecasts that some temporary nverrun will be allowed in the monetary figure.

The monetary target seems to me as lenient as it can be and as severe as it dare be. Much more important than month-to-month fluctuations is the assurance that the *commitment* to a phased reduction of monetary growth to around 6 per cent by 1983-84 is a firm one and takes precedence over the pnblic sector projections should any conflict hetween the two arise.

Proponents of a medium-term strategy dn not need to be told that writing down the figures is only the first stage and that the political difficulties of implementation lie ahead. The most important next step in establishing credibility is for the Government to stop issuing long-term, non-indexed gilt-edged securities yielding 14 or 15 per cent.

For by doing so the Government accepts a fiscal burden which would be probibitively costly if it *really* did expect inflation to fall to 5 or 6 per cent. Before Ministers can convince others, they must convince themselves. Government Securities represent long-term contracts completely different in character from normal wage agreements. Their indexation would represent no more of a "hostage to fnrtune" than tbe issue of ordinary nominal securities during a period of stable prices.

But I do not want to end on a sour note. Without the statement of intentions, goals and expectations stretching further ahead than the usual one year crop cycle, we would simply be facing a eonventional recession, with nothing to sbow for it but the normal returo to inflation when policy is reversed. At least there is now something for which to aim and to hope.

Samuel Brittan

GENERAL GOVERNMENT RECEIPTS

General Government Receipts at 1978-79 prices* (£bn)

	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84
Taxes on income, expenditure and capital	48.3	52	52½	52	54	55½
National Insurance, etc	10.2	10	10	10½	10½	10½
Interest and other receipts	6.5	4	5	5	5	5
Total receipts	65.0	66	67½	67½	69½	71

* Converted to 1978-79 prices by using the deflator for GDP at market prices.

PUBLIC SECTOR BORROWING
1978-79 Prices (£bn)

	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84
Total expenditure	74.0	74½	74½	73	71	70½
Total receipts	−65.0	−66	−67½	−67½	−69½	−71
Implied fiscal adjustment	—	—	—	—	2½	3½
General Government Borrowing Requirement (GGBR)	9.0	8½	7	5½	4	3
PSBR	9.3	8	6	5	3½	2½
(as percentage of GDP at market prices)	5½	4½	3¾	3	2¼	1½

New philosophy for a diverse society

THE PROBLEM with Sir Geoffrey Howe's second Budget is that of separating the wood from the trees. Tbe Chancellor spoke for two bours and ontlined perhaps a record number of proposals, yet few of them are of any major significance in themselves. The real question is bow to fit them together. Do they add up—not so much financially but as into a coberent political programme?

Giving Sir Geoffrey the slight benefit of the doubt, the answer is probably yes, with blemisbes.

The Conservatives' first Budget last year was aptly described as a Manifesto Budget. It did as mucb as possible of wbat was promised in the election manifesto within the time available and against an economic climate that was more bostile than bad been expected.

This year, as Sir Geoffrey said, is the year of consolidation and the sbort-term prospects are even worse: a eharp fall in output, a continuing rise in unemployment and no great rednction in the rate of inflation. Yet the Chancellor, has still introduced the Manifesto Budget Mark 2. Anyone looking for a U-turn will bave heen disappointed.

Perhaps the most controversial proposal of all—that to assume that strikers are partly paid by their unions—is straigbt from the pages of the manifesto. It was the absence of sucb action before that led to pressure on Sir Geoffrey from the party's rank and file. It is also a measure after the Chancellor's own heart: it is be wbo believes that the best way to control the trade unions is to threaten to strike at their funds.

In other ways, bowever, the Government is beginning to look forward to a new philosopby. Anyone wbo reads the Budget statement is bound to be struck by the number of references to small businesses and new enterprises. These are ceasing to be merely slogans. A philosopby is being developed which if it does not quite say that "small is beautiful," at least says that small is preferable. If the overall economic policies work, yon can begin to see the pattern of a mucb more diverse society. Size is no longer admired for its own sake. That is annther break with the recent past.

This vision may not be being sold very effectively in the country, but it is no longer possible tn say that it no longer exists at the bighest level of government.

There is another characteristic whicb bas become a hallmark of this Government, and that is the tendency to be more pessimistic about tbe future performance than is perbaps strictly warranted. Sir Geoffrey has now joined Mrs. Thatcher in saying publicly that the seeds of Britain's decline were sewn in the 1950s and early 1960s, a period of Conservative rule that it was fasbionable until recently to look back on as a golden age.

Under the new Conservatism any forecast of early improvement is regarded with distaste. It is as though the Government is terrified of promising jam tomorrow in case the revenues to provide it do not materialise. Hence the attitude to North Sea oil: the *Chancellor* stressed again yesterday that even at the period of peak production the North Sea will account for only 6 per cent of gross national product.

Yet, as a matter of fact, 6 per cent is quite a lot. One bas only to imagine bow different economic policy would be if there were no North Sea oil and gas at all to take the point. The tendency to understate the opportunities and to overstate the difficulties runs throughout the Government's pronouncements. No doubt that is a nseful lesson from the past, but it can go too far.

There are other signs of a philosophy still developing. Sir Geoffrey went to some length to outline special belp for the needy and disabled. There must be a "safety net," be said. In other words, he is now talking about a social market economy, and not simply a free market economy.

In another passage be seemed to hint again at following the West German example. That was his reference to the National Economic Development *Council.* Before the election Sir Geoffrey wished to turn this into a forum for greater consultation between government, management and unions along the lines of the German concerted action. The idea was frowned on by Mrs. Thatcher. One senses now that it is coming back.

It is worth noting, however, that if it does it will do so without the slightest concessions to *import* controls or to a so-called new industrial strategy: The Chancellor gave nothing away on these fronts.

Now for the blemishes. The Government has a tendency to go for minor savings at maxium political cost. Prescription charges are the clearest example. This is the third time within a year that the Government bas put them up. Such action simply creates the impression that it cannot think of anything more strategic to do except to tinker with the existing system.

Sir Geoffrey has also chosen to ignore the political storm signals about child benefits which are already strong even in bis own party. It would have *cost him an extra* £150m to have raised the benefits to £5 a week instead of £4.75. It is on matters like this that one sometimes wonders about the political judgment. Tory back-bench revolts are already becoming emharrassing; there could be more.

Not least, there must be a *question-mark over the Government's* diplomacy. The message that must have gone to the chancelleries of Europe last night was that the Government was raising the issue of defence costs, especially for the British Army on the Rhine, and linking it indirectly with the question of Britain's contribution to the European Community budget. Sometimes it is better to unleash these bombsbells in private. But then the Treasury was never the place for defence or diplomacy, or perhaps for Europeans.

Finally, it should not really be the job of a political commentator to make the Budget look more attractive than it is. The Government still has some way to go on presentation.

Malcolm Rutherford

Halting the juggernaut: a fatal flaw

THE SOCIAL security package in Sir Geoffrey Howe's budget contains a fatal flaw: it increases Child Benefit by less than a significant number of his own hack benchers consider reasonahle.

That apart, it might bave proved defensible against the false cbarge that the Conservatives are "cutting away the foundations of the Welfare State."

It might even have proved eustainable against the more valid obsarvation that at a time when the Treasury is postulating an increase in the number of unemployed of 200,000 this year plus a further 200,000 next year a decrease in the real value of the dole is, to say the least, not very wet.

As the accompanying Public Expenditure White Paper shows, Sir Geoffrey had little option bnt to try for some check in the growth of social security spending, wbich stood at £14.2bn in 1974-75 and bad grown to £18.9bn by 1979-80 (all in 1979 Treasury prices).

This leap forward of one-third in real terms in six years is now to be stopped; there is to be a further growth of some 2.4 per cent this year, and then, says tbe White Paper, a levelling-off.

Stopping such an expenditure juggernaut in its tracks could hardly be painless. Sir Geoffrey's cbosen method has three parts.

First, the statutory requirement that tbe major long-term benefits should be iocreased in step with the rise in either earnings or prices—whicbever is the greater—is being abolished under the Government's new social security Bill.

If it had not been abolished, this "ratcbet" might have forced *pensions* and supplementary benefits up by whatever number the Government chose to take as the likely increase *in* earnings between November 1979 and November 1980. Migbt this have been close to 20 per cent?

With abolition, Sir Geoffrey has been able to limit the increases to some 16.5 per cent, which is the current official forecast for the rate of inflation in the year to next November. Of the 29m or so social security payslips likely to be casbed at any one time during the coming *financial year, just* under 13m will be increased by this rate. The standard rate of retirement pension for a married couple, for example, will rise by £6.15 to £43.45 per week.

Thus some 8.8m pansioners may complain that the years of growth in their real incomes are over: but at least they will be protected against inflation. The same applies to the 3.2m recipients of supplementary benefit.

So far, so defensible. The third part of Sir Geoffrey's strategy bas been to limit the increase in certain other benefits to around 11½ per cent — some five percentage points behind the recipients wbose payslips bave been protected against inflation.

Into this least-favoured category Sir Geoffrey bas placed 650,000 recipients of invalidity benefit, some 740,000 current collectors of the dole (at any one time in the coming year) and about 550,000 recipients of sickness or injury benefit. If he had left it at that, then subject to a great deal of explaining yet to be done on the matter of invalidity benefit, the case might be winnable.

Public sympathy for the unemployed ia not higb: the idea that many are "layabout" is widespread. Sir Geoffrey might reasonably be asked to distinguish between the possibly "voluntary" unemployed in areas of *high employment* like the South-East, and those in run-down areas in the North or Scotland who are often waiting out their year on unemployment benefit before moving on to supplementary benefit. But this would be a Parliamentary argument; in the country at large his rough justice, which puts flat rate unemployment benefit and sickness benefit for a married couple up by some £3.44 to around £33.40, might prove acceptable.

The same might apply to the abolition by 1982 of earnings-related supplement, which is collected by only 10-15 per cent of the unemployed at any one time.

The difficulty arises with the other 13m or so people collecting Government money — the recipients of Child Benefit. The original promise made by both Labour Government and Conservative opposition alike when this benefit was introdnced was that it would compensate for the pbased withdrawal of Child Tax Allowance.

In his first reference in his Budget yesterday, Sir Geoffrey spoke of an "18¾ per cent" increase in the benefit—from £4 per child to £4.75. This, he said, would leave recipients "better off than they would have been if child tax allowances and family allowances had continued and bad been uprated in line with prices."

In fact, as the Chaocellor himself later admits, the increase is spread over 18 months, and is therefore around 11 per cent. And, as tha Child Poverty Action Group has demonstrated, to restore the relative position of standard rate taxpayers with children to that which obtained before April 1979 would require an increase of about £1.05 per child per week.

The value of Child Benefit is that it channels money to mothers with children without *increasing the disincentive to* work, for it is subtracted from, not added to, social security payments. Sir Geoffrey divides beneficiaries into the old and the poor wbo receive his maximum increases and the rest who might be affected by a disincentive to work and thus receive his minimum increases. He will find it difficult to demonstrate bow the logic of this argument led bim to place Child Benefit beneficiaries (that is, every mother in the land) among the possible layabouts.

Followers of the discussions among Cabinet Ministers over the past few weeks will have noted that a strong case for giving the £1 increase in Child Benefit was put up: In 1980-81 the extra 25p would have cost not mucb more than a further 1p on a pint. It might have avoided tbe new inevitable Tory back-bench revolt, and it might have made the package as a whole more saleable.

Against this, the Chancellor and the Prime Minister no doubt argued that it was not sufficient to be tougb: they had to be seen to be tough. In the months to come, Mrs. Thatcher may remamber what she used to say in Opposition—that sbe bad paid too high a price for too small a public expenditure saving when as Minister for Education she had allowed berself to become "milk snatcber;" she vowed then she would nnt make the same mistake again. Has she?

The remaining target for protectors of the Welfare State in the Chancellor's package is the proposed increase in prescription charges to £1. There will be a great deal of bogus huffing aod puffing by Labour and the TUC on this; in fact the old, the poor, all children and expectant mothers are exempted. There is still to be a steady rise in N.H.S. expenditure in real terms. Dental and some other charges will increase (the aim is for charges as a whole to cover 5 per cent of N.H.S. costs by 1983-84 as against 3 per cent now) but it will be hard to construe this as an attack on the bealth service.

Joe Rogaly

THE BUDGET

SMALL BUSINESSES AND ENTERPRISE ZONES

Wide range of innovations

IN THE last few minutes of his long Budget speech yesterday, the Chancellor of the Exchequer produced a package of measures aimed at boosting industrial enterprise in general, and encouraging small businessmen in particular, which far outstrips anything introduced since the current political interest in small firms started nearly three years ago.

Mr. Harold (now Lord) Lever tried manfully to persuade a less than enthusiastic Labour Government to introduce such measures when he was given special responsibility for the subject late in 1977; but he never came within sight of the range and scale of yesterday's ionovations.

But despite the range of the measures, which the Confederation of British Industry said last night was "imaginative," some small businessmen's lobby groups will not be satisfied. They will continue to complain that, while the measures may help some businesses at specific stages of their development—for example when they are first being set up or are being transferred to new owners—the vast mass of companies will still be hit by the high levels of interest rates and the lack of specific interventionist. policies such. as Governmeot-subsidised loan funds.

In all Sir Geoffrey Howe unveiled more than 15 ideas, finishing with his own personal brainchild — the creation of "enterprise zones" in areas of special industrial decay where it is hoped to attract businesses of all sorts and sizes, with various ioducements which include waiving certain Government controls.

Presented separately by the Chancellor as an "enterprise package" and a "small business package," the measures bring together several priorities. More small businesses are needed to create jobs and replace dying industries. They are also needed to reinvigorate declining inner cities. Small businesses and small factory units are also usually easier to manage, particularly in terms of labour relations, than large businesses.

Sir Geoffrey's proposals therefore go some way to meet various ecooomic, political and industrial requirements. Because of this, they have beeo produced by a variety of Government Departments. Sir Keith Joseph, Industry Secretary, is expected to speak today about the importance of what is being done; but much of the initiative for yesterday's proposals came from elsewhere in Whitehall — particularly from the Department of the Environment which seems receotly to have been producing more concrete measures to help industry than Sir Keith's own Ministry.

When the Government first came to power last year, civil servants in various Departments were asked to dust down all the schemes and proposals they had considered in recent years to encourage entrepreneurs, and especially to boost the number of small firms. Interventionist policies such as using the Industry Act or other measures to subsidise bank lending or the provision of venture capital were considered (and were either shelved or rejected), along with many of the taxation, planning, property and other ideas that are now appearing.

As a result, yesterday's measures, which were described by Sir Geoffrey as "increasing the wealth-creating viability of our economy" fall into four categories.

First there are changes in capital taxation which were started last year. These are aimed at increasing the rewards for those starting new ventures, and at reducing the risks involved. The capital transfer tax threshold is being increased for example, and there are other CTT changes which apply generally and not just to small businesses.

Then there are measures, costing some £10m in a full year, which are aimed at easing the tax or administrative burdens of small businesses. These include a new venture capital scheme to allow losses on equity investment in unquoted trading companies to be set off against income, relief for interest on money borrowed for a close company, and cuts in corporation tax.

There are also provisions for unincorporated small businesses, plus proposed concessions for the cost of raising business loan finance, and relief for pre-tradiog expenses. VAT administration is also being eased.

Linked with these measures are two property innovations. First a small workshops scheme is being introduced. For a period of three years, capital expenditure on the construction of industrial buildings providing working space of less than 2,500 square feet will qualify for a 100 per cent initial allowance, instead of the usual arrangements of an initial allowance of 50 per cent followed by annual writing down allowances of 4 per cent.

Sir Keith Joseph is also extending provisions be has been making recently for partnerships with the private sector on industrial property. He is providing £5m for the construction of 1,000 new nursery units in assisted areas in co-operation with the private sector.

Both these measures reflect a growing awareness in Whitehall for more small factory units if new businesses are to be created. A survey just completed by Coopers and Lybrand for the Industry Department shows that there is a serious shortage of factory units of under 2,500 square feet.

The third category in yesterday's package inclnded just one proposal which follows the "small is beautiful" craze, Sir Geoffrey said that in order to tackle "industrial elephantism," he will introduce measures during the passage of the Finance Bill to change tax rules and make it easier for large groups to be broken up into smaller units.

The final category is Sir Geoffrey's own pet scheme of enterprise zooes which, appropriately enoogh, he first floated in a speech on the Isle of Dogs nearly two years ago. The idea has met with considerable scepticism and cynicism in Whitehall, but Sir Geoffrey has pushed it through to the stage where he announced the launching of an experiment yesterday.

The idea is to see whether entrepreneurs really are de-motivated by having to abide by social and other requirements. About six zones—each averaging 500 acres—will be set up in areas of "urban dereliction" chosen, Treasury said yesterday, for their degree of "physical and economic decay." Whether the zones will be in the middle of such run down areas or will provide new industrial sites just outside them is however still a serious bone of contention in Whitehall where the cross currents of reinvigorating inner cities and encouraging the entrepreneur have yet to be rationalised.

John Elliott

SMALL COMPANIES TAXATION

A boost to share ownership

SMALL COMPANIES pay corporation tax at a specially reduced rate. The rate has been 42 per cent instead of the full 52 per cent for several years and Sir Geoffrey made large increases in the level of profits on which the reduced rate applies in his budget last year.

For the financial year beginning on April 1, 1979, the reduced rate is cut to 40 per cent and the limits are increased. Profits up to £70,000 are taxed at 40 per cent and a marginal relief applies up to £130,000. The figures were previously £60,000 and £100,000 respectively.

Above £130,000 tax is charged at the normal rate of 52 per cent (unchanged) but profits between these two bands are taxed at the rather high effective rate of 66 per cent. The cumulative effect of the reduced rate and the marginal rate is to move from 40 per ceot at £70,000 to an overall rate of 52 per cent at £130,000 although companies are well advised to avoid having taxable profits in this band if at all possible.

The 1978 reliefs for "profit-sharing" are to be improved and uprated. An employee will in future be able to have allotted to him shares in his employing company to the value of £1,000 per year, in place of £500, without these being taxable as a benefit. He will receive dividends from those shares, and can vote in just the same way as any other shareholder.

But he is absolutely prevented from selling the shares for two years after he is given them, and during hte five years after that there are tax penalties attaching to their sale—tapering during that period from a charge on the whole of the value allotted to one of 25 per cent of that value. These new limits represent a donbling of the value which can he given to each employee, and a lopping of three years from the mandatory holding period. Sir Geoffrey made it clear that be wishes strongly to encourage share ownership arrangements.

Granting options to acquire shares in the company to directors and employees again becomes a possibility. The details are not yet available, but it is clear that at their heart lies the abolition of the tax charge on the "growth in value." It was this that killed the schemes which were available prior to 1974—the employee has since then been taxable not only when granted the option on any difference between its then value and what he paid for it, but be was also treated when he took up his shares as having received taxable earnings equal to the difference between the shares valne at that time and his payment for them.

The Finance Bill is to include provisions giving relief from income tax for losses on the disposal of shares in unquoted trading companies. Relief is to be given for disposals after April 5, 1980, irrespective of when the shares were acquired hnt relief will only be available where the investor took up the shares at the time of issue.

Losses arising where the shares are sold at arm's length or in a liquidation may be set against income for the year in which the loss arose, or the following year. Unused losses will be available for relief against capital gains. Sir Geoffrey hopes by this means to make venture capital more freely available to new busi-

In order to prevent the avoidance of income tax it has long been required that closely held companies should be required to distribute a part of their income above certain limits unless required for the purposes of the company's business. The limits were raised substantially in Sir eGoffrey's first Budget but the new proposals are startling.

The apportionment of excess trading income is to be abolished altogether; investment income in excess of £1,000 was previously liable to apportionment and this limit is now raised to £3,000. In addition, interest paid to directors of closely held companies has always been subject to restriction for the purpose of corporation tax deductions. The restriction was previously to 12 per cent of the amonnt of the loan or of the nominal share capital is less; these restrictions are to be abolished.

The limits on allowable retirement annuity premiums for the self-employed and those in non-pensionable employment have been greatly eased. The existing limit of 15 per cent of earnings is increased to 17½ per cent and the overriding limit of £3,000 per year is abolished. Changes are to be made in the calculation of "net relevant earnings" and there is to an ability to carry forward surplus payments for the relief in future years.

David Wainman,

CAPITAL TAXES

Change in CTT substantial

THE CHANCELLOR expressed his own disappointment that financial constraints have limited his capital tax proposals and that disappointment may he shared by the various bodies who have submitted much more sweeping proposals to Lord Cockfield.

Nevertheless, the main change in CTT is a substantial one—a doubling of the threshold from £25,000 to £50,000. The Chancellor justified this change by reference to the private business holding that too many smaller businesses were brought within the CTT net.

Allowing for the 50 per cent relief on valuation when the whole or a part of a business is transferred, the exemption becomes £100,000 on business transfers, which in turn can be doubvled if use is made of the tax-free transfers between husband and wife.

Judicious use of the annual £2,000 exemption per donor can he added to that figure; and experieoce suggests a fairly sympathetic view is taken by the Inland Revenue of the value of shares in a private company which may add further to the effective exemption limit. Thus, by the simplest of means, a fairly substantial business (perhaps £250,000 or more) can he passed on intact.

If the doubling of the exemption was intended primarily for the benefit of small firms it is not confined to them. It takes a stage further the decline in the yield of death and gift taxes in real terms plotted in the attached table.

The Chancellor has estimated that the change will cost £60m in the current year and twice that thereafter, representing almost a third of the revenne which the tax has yielded in recent years.

As inheritance is widely recognised as the most important single cause of inequality in the distribution of wealth, the declining tax take of death and gift duties may well mark a reversal of the trend which has continued to most of the century towards a reduction in inequality.

In fact, this trend has already reversed slightly during bte period of the previous Labour administration. As the table shows the marked decline in revenue from death duties set in with the CTT, which constitutes a double irony for CTT superseded an estate duty, widely dubbed not to say condemned—as "voluntary"; and the introduction of CTT was part of Mr. Healey's "determined attack on the maldistribution of wealth in Britain" (Budget speech, March 26, 1974).

Yield of Death and Gift Taxes

Year	Revenue (£m)	Percent of GDP
1968	374	0.99
1970	378	0.87
1972	482	0.87
1974	410	0.55
1976	388	0.35
1978	372	0.26
1979-80	430	0.26*
1980-81	417*	0.22*

* Estimates

International comparisons give some further idea of the speed and magnitude of the change that has taken place. In the early 70s the UK was indisputably head of the OECD table when yield from death duties was expressed as a percentage of GDP. By 1977 the UK had fallen to sixth place, raising in capital transfer taxes only half that of the U.S., home of free enterprise. Sir Geoffrey follows in Mr. Healey's footsteps giving a further push to the downward movement.

Other CTT changes include a raising of the small gift exemption from £100 to £250, and a donhling of the £100,000 exemption for bequests to charities or gifts made to charities within one year of death. (Gifts made more than one year before death are exempt under present law and remain so.)

As with CTT, the chancellor has eschewed major changes in the structure of CGT. He has steered clear both of indexation and of a general tapering provision and instead gone for a simple increase in threshold from £1,000 to £3,000, the firts £3,000 of larger gains being exempt. The tapering relief introduced by his predecessor on gains up to £9,500 disappears. Most trusts will also benefit from an exemption on the first £1,500 of capital gain.

A significant new change, removing something of an anomaly is a relief for gifts between individoals. When CGT was first introduced in 1965 both gifts and death were treated as a deemed realisation.

In 1971 the charge to CGT was abolished at death on the grounds that estate duty was enough—at that time there was no transfer tax on gifts inter vivos. With the introduction of CTT gifts became liable both to CGT and CTT on lifetime transfers whereas transfers at death only paid CTT. The chancellor is now proposing to put lifetime transfers and transfers at death more nearly on a par by a roll-over relief by which gifts between individuals are exempt uotil the gift is disposed of, at which point any CTT paid on the gift would be allowed against CGT.

Another useful small relief is proposed bly the Chancellor to encourage people to let part of their homes. At present the sale of a principal private residence is exempted from capital gains tax unless part of the house has been let, in which case the let part is charged to CGT.

The new proposal extends relief to the let portion with two restrictioos: the relief on the let portion must not exceed that on the part occupied by the owner, nor must it exceed £f0,000.

The budget also contained changes to the capital gains tax treatment of unit and investment trusts. In future such trusts will be exempted from corporation tax on their chargeable gains. Consequently investors will cease to be able to claim credit against the CGT on disposals of their shares but they will, of course, be able to get the full benefit of the £3,000 exemptioo. In many cases this will put them wholly outside the orbit of the tax.

Cedric Sandford

MEN AND MATTERS

Putting the ball in the fans' court

Reluctant as I am to discuss anything which may increase the stress on the patience of rate-paying users of London Transport, I feel obliged to pass on certain curious details I have garnered about its latest attempts to attract workers. It has some staff problems—as anyone who has stood dissolving in the rain at a bus stop or steamed gently in the Tube can confirm.

To help right matters, LT (£16m in the red last year, despite ratepayers' subsidies of more than £100m) has paid out an undisclosed sum for the privilege of sponsoring a football match between north London rivals Tottenham Hotspur and Arsenal on Easter Monday.

How curious, I thought, that London Transport should be prepared to spend its scarce resources so freely on the very sport whose hooligan fringe makes Saturday afternoon travel such a risky adventure for shoppers and transport crews. Curiouser still, that a costly recruitment drive should be centred on the north of London. While in general all garages and Tube depots need men, staff shortages are most severe to the west of London. I can understand, however, how Brentford and Wimbledon may lack the crowd-pulliog power of Arsenal and Spurs.

The object of the exercise is to try to attract staff from the captive audience around the pitch. For its money (average sponsorship fee is between £3,000 and £4,000) LT will be allowed to plaster the hoardings around the ground with recruitment posters and heckle the crowd with job publicity at half-time over the public address system.

It will also be granted an allocation of 40 of the best seats in the White Hart Lane ground of which most will go to a brave band of men who have recently signed on, with only five, I am assured, reserved for LT officials in need of relaxation.

Sleeping on it

The Budget yesterday provided no more than "a brisk walk" back to London Wall for Mark Ferguson, a dealer on the floor of the Stock Exchange with jobbers Pinchin Denny. Gone are days of the mad scramble back to the office, after the Stock Exchange closes its doors at 3.30 pm, to continue dealing during the later, more relevant part of the Budget speech.

"We go on dealing as long as there's a demand," says Ferguson, 44. "But these days it falls off sharply after the Budget speech begins at 3.30. So often on these occasions the first reaction is a wrong one. People have oow learned by experience that this is so."

Nowadays, says Ferguson, Investors sleep on the Budget before making a decision, pondering the complexities of the Public Sector Borrowiog Requirement which would have seemed a little abstruse in bygone times. One reason for this is no doubt the near-extinction of the small investor, and his displacement by the professiooal institutional investment manager.

Budget day is, if anything, less enervating for Ferguson's brother Graham, 46, a senior equities partner further up the "Five Sisters" league of jobbers at Wedd, Durlacher, Mordaunt. "Like the Windmill we hope never to close," he told me shortly before countdown. "But we rather go into hibernation on Budget Day. We don't like to deal large—say 5,000 shares for a small company, 250,000 shares for ICI. I won't be legging it anywhere—I shan't get my great fat bottom out of the chair all day."

Trouble and strife

Hard times for international fixer Adoan Khashoggi. Apart from the annoying activities of his ex-wife (who is suing him for $2.4bn) Khashoggi also faces the possibility of becoming persona non grata in Saudi Arabia. One very public indication of this is that the semi-official newspaper Al-Riyadh has, for the second time in recent weeks, accused him of "national iogratitude," and specifically of failing to invest any of his fabulous wealth at home.

"Is not the gossip about your personal life," adds Al-Riyadh, "damaging to the reputation of the country of which you have the honour to carry the passport?"

The Saudi royal family is known to have been much embarrassed by the publicity surrounding Mrs. Khashoggi's lawsuit; King Khaled has been taking a particularly stiff line on Islamic purity since last November's attack by Moslem fanatics on the Grand Mosque at Mecca.

Housebound

An extraordinary legal tussle began in Argentina yesterday with the lawyer of former president Isabel Peron seeking parole for his distinguished client. The third Mrs. Peron, a former cabaret dancer inevitably dubbed "Isabelita," has yet to be found guilty of anything. Since none of the four charges of corruption against her carries a sentence of more than six years, argues lawyer Julio Arriola, she should be set free from house arrest under normal parole rules.

"It's OK—his bark is worse than his bite"

Isabelita who "celebrated" her fourth year of deteotion this week with breast of turkey and Russian salad in her comfy villa at San Vincente, near Buenos Aires, appears to have tolerated the sojourn well, accordiog to the few visitors allowed past the gendarmeria of her door.

Some say that she is prepared to sit out house arrest for as long as necessary to ensure that she can remain in Argeotina. Opponents insist that she would be better off in exile—so would they, sioce that would remove any last possibility that she might rally her supporters and challenge again for the Peronist party leadership.

Failing again

Author Stephen Pile is paying the price of fame for his best-selling book on heroic failures, which is to be the basis of a one-man Reginald Bosanquet show at a summer arts festival. Pile, who founded and presided over the Not Very Good Book Club, tells me ruefully that he has been unceremoniously thrown out by the membership.

Speed limit

Sign in rear window of a car on the M3: "Two endorsements. Please pass."

Observer

Appleyard incurs loss in second half: cuts final

SUPPORT FOR BL Cars was a major factor behind the Appleyard Group of Companies running into losses of £336,000 in the second half of 1979, leaving full-year pre-tax profit 66 per cent lower. The current year started badly for BL, and, therefore, for the group, the directors say, but the market share is improving.

However, they warn that they do not expect a return to previous levels of profitability in 1980.

Pre-tax profits tumbled from £1.95m to £652,000 in 1979, following the £1.01m turnround in the second six months, and the final dividend is being halved. Interest jumped from £893,000 to £1.58m, which includes display charges.

The cars division incurred losses of £148,000, against profits of £1.3m. However, the contribution from commercial vehicles improved from £256,000 to £308,000. Fuel oil profits rose from £123,000 to £329,000, but the finance side slipped to £176,000 (£263,000).

Mid-term group profits were down from £1.27m to £996,000, and the directors said then that the second-half outlook was not encouraging. However, they expected to maintain the final dividend.

In the event, the final is halved to 2p, giving a total of 4.25p, against 6.25p. The directors explain that the compound effect of high interest rates, an economy in recession and the potential costs of rationalisation actions calls for prudence in the retention of reserves.

The group traded at maximum volumes at very thin margins throughout the year in support of BL Cars but it was unable to achieve a volume of business sufficient to use facilities profitably. As a result, heavy losses were incurred, particularly in Scotland. On the other hand, the Ford businesses exceeded forecasts.

The directors continue to take vigorous action to reduce the level of losses. The closure of the group's biggest depot in Glasgow, announced last December, entailed heavy redundancy costs charged in the accounts. But the premises are valuable and negotiations for their disposal are in progress, they add.

By the end of this month, the group's two BL depots at Wilshaw and Hamilton, Lanarkshire, will have been closed. One of these premises has already been sold for £110,000.

The group is also close to an agreement to sell its business and premises in Huddersfield to the other distributor in the town in line with BL's franchising policy.

Group turnover amounted to £129.52m, compared with £128.25m. After a reduced tax charge of £153,000 (£529,000), earnings per 25p share are given as 5.99p (17.45p).

There were extraordinary debits of £206,000 (£196,000 profits).

● comment

Appleyard's profits were already on the slide at the halfway mark and the distributor has clearly paid the price of supporting a manufacturer (BL represents at least 50 per cent of car turnover) whose market share deteriorated even further last autumn and winter. It comes as little surprise that the group suffered a second half deficit and there is every chance that January and February were also loss making. BL's bonus scheme has probably lifted its share of the market to well over a fifth this current month but Appleyard is not promising any early recovery and it will clearly take some time to trim its distribution capacity to match the manufacturer's own marketing capability. Other franchises and the fuel oil operation provide something of a cushion while this difficult process continues and the balance sheet is apparently not under too much pressure, yet much depends on the success of the Marina facelift this summer and the Metro launch in October. But the decision to cut the dividend was undoubtedly justified and the yield of 11 per cent at 58p, down 4p yesterday, barely underwrites the continued risks.

HIGHLIGHTS

Lex devotes its column to the implications of the Chancellor's Budget on the corporate sector and the likely impact on financial markets. For a Budget day there was a considerable amount of company news and three insurance companies, The Pru, Eagle Star and Legal and General, are considered on the inside pages. Slough Estates, the country's largest industrial property developer, produced its full year figures showing a rise in pre-tax profits of £1.84m to £10.07m. Rotork's annual results show a small decline at the pre-tax level but in the context of the company's policy of going for market share rather than profit margins the figure is not too disappointing. Appleyard's profits took a nose-dive due to losses on the BL franchise and it sets the scene for the winter results from other BL distributors. Sirdar has produced some reasonable results and Rotork's profits were well received in the market.

Sirdar rises 12% in first six months

DESPITE the effects of a mild autumn and winter on the sales of hand knitting yarns, pre-tax profits of Sirdar rose 12 per cent to £1.67m in the 28 weeks to January 11, 1980 compared with £1.48m.

High stocks at the retail level also reduced demand from spinners, and against this background the increase in turnover—from £11.3m to £12.02m—and improvement in market share is a significant achievement, says Mrs. Jean Tyrrell, chairman.

However, the hand knitting sector has fared better than textiles generally, and demand for chenille yarns continues to exceed supply. Additional machines have been installed for this quality.

A trend towards lower priced products has to some extent offset increased volume and resulted in slightly lower net margins, adds Mrs. Tyrrell, but there are signs of some recovery at retail level which give hope that the result for the year will produce a further advance. Total taxable profits last year were £3.2m.

The six months' surplus is struck after interest of £143,000 (£157,000) but before tax of £834,000 (£350,000). There is an extraordinary debit of £9,000 (£25,000 credit), leaving attributable profits slightly lower at £1.03m (£1.16m).

The interim dividend is doubled to 2p net to reduce disparity and absorbs £239,340—last year's final was 3p.

Stated earnings per 25p share are 13.9p (12.4p) before tax and 8.6p (9.5p) after.

● comment

Although the growth rate has slowed considerably, Sirdar's first half results are pleasing given the difficult trading conditions in the textile sector. However, this does not detract from the uncertainties that lie ahead. Although customers' sales are now a little more lively than before Christmas, they are still below the levels of past years and the economic climate is not expected to improve — at least in the short term. While Sirdar does not expect this to make too much of an impact on sales volume, there is the likelihood that the public will trade down, and this means tighter margins. Against this the balance sheet is strong so the company should be able to weather any short-term setbacks. On past 12 months earnings the fully-taxed p/e is around 7 at 98p—a rating with a small premium over other textile companies while the prospective yield is unlikely to come anywhere near the 12.5 per cent sector average.

Clifford's Dairies near £2.3m

TAXABLE PROFITS of Clifford's Dairies expanded from £1.49m to £2.28m in 1979, on increased turnover of £41.64m, against £29.12m.

The midway pre-tax surplus was well ahead at £815,000 (£481,000) and the directors expected full-year results to show an encouraging increase.

They now say that the 1978 results include County Dairies for the second half only. If adjusted to include them for the full year, pre-tax profits would have been 28 per cent higher.

A net final dividend of 2.2p lifts the total to 3p—last time there was a single payment of 2.128p. After tax of £547,653 (£563,888) earnings per 25p share are shown ahead from 11.7p to 17.88p.

There was an extraordinary credit of £140,823 (£41,586 debit).

The pre-tax surplus was struck after interest up from £139,401 to £447,668, but includes associates' profits of £217,366 (£125,605).

On a CCA basis, taxable profits were reduced to £1.81m (£1.18m), and earnings per share to 13.01p (7.55p).

Slough Estates over £10m as UK rentals soar 20%

BY ANDREW TAYLOR

A SHARP rise in UK commercial property rents in 1979 helped push up pre-tax profits of Slough Estates, the country's largest industrial developer, by almost 22½ per cent to £10.07m last year.

After a reduced tax charge profits rose by a third from £5.78m to £7.71m in 1979. Earnings per share rose from 4.14p to 5.57p and fully diluted to take account of last May's rights issue: to 5.33p.

However, Mr. Nigel Mobbs, the chairman, warns that trading conditions are likely to be much tougher in the current year: "Business conditions in general will be particularly difficult with high interest rates likely to persist. Despite these adversities, I expect, subject to no unforeseen circumstances, to be reporting some increase in profits for 1980."

On the back of last year's profits increase the company announces a 36.4 per cent increase in the final dividend to 1.4p net. This compares with a 30 per cent increase forecast at the time of the group's £25m rights issue. Total dividend payments for the year ending December 31, 1979, work out at 2.3p net or 3.2857p gross.

The bulk of Slough's profits increase is accounted for by a 20 per cent rise in UK rental income to £15.34m. Overseas rental income rose by almost 12 per cent to £5.44m.

In the current year UK rents are expected to continue to rise, but at a slower pace than the expected annual increase in the rate of inflation.

He warns that the utility services division, which supplies electricity, water and steam to the Slough industrial estate itself—which accounts for around threequarters of the group's UK property portfolio—is expected to make a further loss in 1980.

Last year losses were caused by a sharp rise in the cost of fuel which because of restrictions the company was unable to pass on to customers.

The rise in pre-tax profits was arrived at after higher finance charges of £8.8m reflecting increased interest charges, largely in the UK but also overseas.

Earlier this year Slough announced a major revaluation of its worldwide property portfolio which it now says is worth £362m, which after taking account of exchange movements and disposals created a surplus of £142.5m over book value.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
AB Electronic ...... int.	3	June 3	2.5	—	7
Appleyard	2	—	4	4.25	6.25
R. Cartwright	2.9	May 8	2.56	4.63	4.06
City & Intl. Tst. ... int.	2.31¶	April 18	2	—	5.7
Clifford's Dairies	2.2	May 23	2.13	3	2.13
Eagle Star Insurance ...	4.85	July 15	3.49	9	6.84
HME ...... ‡int.	2.5	May 15	1.5	—	6.5
Legal & General	5	—	4.25	7.6	6.51
Lyon & Lyon	4.5	May 22	3.5	7	6
Prudential Corp.	6	—	5.26	9.5	8
Rotork	1	May 23	0.66	2	1.31
Sirdar ...... int.	2†	May 19	1	—	4
Slough Estates	1.4	May 27	1.02*	2.3	1.69§
Standard Ind. Grp. int.	0.9	April 17	1.91	—	1.91§
George Wills	3	—	2.43	4.5	3.35

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ To reduce disparity. § Plus 0.95p on account of extra 6 months following changed year end. ¶ Plus special non-recurring payment of 0.49p equivalent to special dividends received from Shell.

Sobranie shares suspended

The listing of Sobranie (Holdings), the tobacco, laundry and engineering group, was temporarily suspended yesterday at the company's request pending an announcement.

The company is controlled by the directors and their families who hold over 51 per cent of both the ordinary shares (£150,000 in issue) and the non-voting (£154,680 in issue). The shares were suspended at 40p.

Mr. C. C. Redstone, the chairman, had no comment to make on the suspension yesterday.

Over the last two years the company has been hit by difficult conditions in its engineering division. In the year ended February 29, 1979, the group showed a turnround from a profit of £64,096 to a loss of £20,624. But by the half-year ended August 31, 1979, the group showed a near break-even position, despite continuing engineering losses.

Since the end of the half-year the main loss-making activity has been terminated and a loss-making subsidiary sold.

In December the group announced the sale of a London property for £775,000, the proceeds being used to reduce bank borrowings and improve liquidity.

At December 31, 1979, the group had outstanding secured bank overdrafts of £7.07m, SwKr 50,000 and U.S. $23,844; a bank loan of £150,000; leasing and HP commitments of £232,034; and bills and promissory notes of £234,912. At February 28, 1979, the group had capital and reserves of £1.34m.

Danish Bacon director quits after row

Mr. Howard Porter, the commercial director of Danish Bacon, has resigned from the group after a boardroom disagreement. The departure, effective from April 9, comes about "after certain differences with the Board over policy emphasis," according to the company.

Mr. Eric Trautmann, the joint chairman and managing director, said: "Mr. Porter was in charge of co-ordinating our imports, but the disagreement was of a general nature and there was no specific problem."

It is understood that one of the matters which the board dispute may have concerned was the company's relationship with its affiliate in Denmark. Mr. Howard Porter said yesterday: "I believe that Danish Bacon should be very closely linked to Denmark."

Mr. Porter, who had been with Danish Bacon for 26 years, is also resigning as chairman of the Nationwide Food Distributors group, an association of food wholesalers in the UK.

He is currently vice-chairman of the UK Provision Trade Federation. Before joining Danish Bacon, Mr. Porter had been with Fortnum and Mason.

Former M & G md to join Barclays

Mr. Clive Fenn-Smith, the former managing director of the M and G Group, has resigned from the Board of M and G and from two of the group's investment trusts. He will shortly be appointed by Barclays Bank to serve as an executive director of the Unicorn Group.

Mr. Smith resigned along with the M and G chairman, Edgar Palamountain, last December after taking "ministerial responsibility" for a tax problem related to the group's overseas life fund.

In his new role at Barclays Unicorn Group he is expected to concentrate on the unit trust interests.

Mr. Fenn-Smith had been with M and G since 1968. He served as managing director from 1977 until last December.

Drake & Scull in strong position

Trading to date in the current year at Drake and Scull Holdings had continued most satisfactorily and the group's very strong cash position had further improved since the year-end, resulting in it having over £2m currently on deposit in UK banks, said Mr. M. C. Abbott, the chairman, at the annual meeting.

Since the year-end, the electrical, mechanical and construction engineering group had obtained orders totalling some £50m and total order book was now in excess of £170m, compared with £158m referred to in annual accounts.

Pre-tax profits for the year ended October 31, 1979 were ahead at £2.63m (£2.58m) on turnover up sharply from £39.5m to £55.84m.

PINNOCK FINANCE PAYMENT

The liquidator of Pinnock Finance Company (Great Britain) has told depositors and creditors that a third and final distribution of 3.25p in the pound is to be made.

Woolworth widening activities and planning to spend double

BRISTLING with a number of new major retailing developments, F. W. Woolworth and Co. is set to double its capital spending in the current year. In 1979-80 the company invested £22m in fixed assets and by the end of last January had contracted or authorised £32.8m for future expenditure.

Mr. G. Rodgers, the chairman, repeats his forecast made with the preliminary results on March 13 that the current first six months will show little profit increase. Any improvement is expected to come in the second half.

Looking further ahead, he comments: "I believe that we are poised to meet the challenge of the 1980s in good condition and with confidence of future growth."

All but a few stores were profitable in 1979-80 and the chairman says he does not envisage any substantial curtailments of the company's representation in the near future: "so long as this position continues."

The company is actively seeking edge of town sites for do-it-yourself centres. Where possible these will be run in conjunction with its new Furnishing World operation and garden centres.

A further 10 Shoppers World catalogue discount stores are planned to open during the year. Mr. Rodgers says the directors are confident that discount trading will be a major feature of retailing in the future.

Woolworth's first out of town furnishing store will be opened near Southampton in June followed by one in Rotherham in the Autumn.

It is also anticipated that a further ten restaurants will be opened by the company together with the launch of a new fast food operation under the name of Burgermaster.

The Trinidad company produced excellent results last year and future prospects are such that further expansion is planned there. To fund this development, and in line with that country's policies, a public issue will be made of a 25 per cent minority interest in the enlarged capital.

For the year to January 31, as known, taxable profit advanced to £57.25m (£53.1m) on sales, excluding VAT, of £886m (£823m).

On a current costs basis along the Hyde guidelines, profit was down from £37.01m to £26.02m after £30.31m (£11.55m) extra costs of sales and £6.16m (£7.66m) additional depreciation less a 6.06m (£3.61m) gearing adjustment.

The net dividend is raised to 4.917p (4.47p).

Year-end cash was down at £5.73m (£12.98m) and bank loans and overdrafts were up £4.35m at £57.74m.

Meeting, Connaught Rooms, WC, on April 18 at 11.45 am.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Sidney C. Banks, Arthur Bell, Bluebird Confectionery, Howden Group, Lucas Industries, Samuel Properties, Walker and Homer.

Finals—A.P.V., Associated Book Publishers, Bestobell, British Mohair Spinners, Carpets International, Charterhouse Group, Coates Brothers, Friedland Doggart, House of Fraser, Alexander Howden, Inch Kenneth Kajang Rubber, Killinghall Tin (Malaysia), Percy Lane, Leyland Paint and Wallpaper, Manders, Mixconcrete, Municipal Properties, Olex, Austin Reed, Western Motor, Wolf Electric Tools, Yorkshire Chemicals.

FUTURE DATES

Interims—

Portland Holdings	April 2

Finals—

Ayrshire Metal Products	Apr. 30
Berkeley Hambro Property	April 2
Carron	April 2
Combined English Stores	Mar. 31
Desoutter Brothers	April 1
Erith	April 8
First Castle Securities	Mar. 31
London and Holyrood Trust	April 17
London and Provincial Trust	April 17
Reed Executive	Mar. 31
Royal Worcester	April 2
Sharna Ware	Mar. 28
Sparrow (G. W.)	April 11
Watts Blake Bearne	April 1

SPAIN

March 26	Price %	+ or −
Banco Bilbao	222	
Banco Central	244	−2
Banco Exterior	206	
Banco Hispano	217	
Banco Ind. Cat.	130	
Banco Madrid	164	
Banco Santander	260	−4
Banco Urquijo	184	
Banco Vizcaya	228	
Banco Zaragoza	203	+2
Dragados	100	
Espanola Zinc	62	+1
Fecsa	57.2	
Gal. Preciados	30	−1
Hidrola	64.5	+0.3
Iberduero	53.5	+1
Petroleos	106.2	
Petroliber	59	
Sogefisa	107	
Telefonica	54.5	+0.3
Union Elect.	63	+0.3

UK COMPANY NEWS

INSURANCE RESULTS

Underwriting losses take their toll

TAXABLE profits of Eagle Star Holdings for 1978 improved by 26 per cent to £64.3m, while, held back by increased underwriting losses on general business, net profits of Prudential Corporation advanced by 10 per cent to £45.6m and, due to a £4.2m reduction in tax, Legal and General Group gained £1m at £15.8m.

Second half comparisons show that Eagle Star and L. and G. registered rises from £32m to £40.9m and £7m to £9.2m respectively, whereas the surplus at Prudential declined from £26.4m to £25.3m.

For the year Eagle Star's cash flow in the UK increase satisfactorily. New money was invested mainly in gilts and mortgages with some addition to the equity portfolio. In the latter part of the year short term deposis were built up to provide funds to finance the acquisition of Bernard Sunley Investment Trust. These larger deposits with high short term interest rates contributed usefully to investment income, which expanded from £48.5m to £59.7m.

The underwriting loss was £18.8m (£17.5m). This included a deficit of £15.3m from UK fire and general, where premium income totalled £308.6m; out of total group income of £572.5m (£516.1m).

Within group profits is a contribution from the subsidiary, Grovewood Securities, the pre-tax surplus of which improved by 18 per cent to £13.2m.

Tax took £25.5m (£21.5m) and minority profits £3.1m (£2.6m). At a cost of £12.1m (£9.2m) the dividend is stepped up from 6.8409p to 9p, with a final of 4.85p net.

At Prudential a strong performance in life business saw profits rise by some 40 per cent to £24.2m. Other income advanced from £7.8m to £9.8m but growth in group profits was restrained by a significant fall on the general branch side, where the contribution declined from £16.2m to £11.6m after underwriting losses up from £4.2m to £15.2m.

A breakdown of general insurance premium income (up from £494.4m to £416.7m) and underwriting results shows: UK £137.9m (£111.9m) and loss £7.8m (£4.3m); Canada £44.3m (£42.5m) and £1.7m (£3.4m) profit; EEC £44.1m (£45.1m) and £1.7m (£1.6m) loss; other countries £28.8m (£32.5m) and £2.6m (£1.1m) loss; marine and aviation £7.7m (£8.5m) and £0.7m (£0.9m) loss; specialist re-insurance (Marine and General) £153.9m (same) and £4.1m loss (£0.3m profit).

On the basis of steps taken or in train, better underwriting results in the current year are looked for in the major classes of UK business.

Yearly earnings per 25p share put on 1.5p at 15.3p and the total dividend is raised from 8p to 9.5p with a final payment of 6p net. Dividends cost £26.3m compared with £24.1p.

Pre-tax profits of L. and G. fell from £20.8m to £17.5m, but lower tax of £1.5m (£5.7m) and minority profits of £0.1m (£0.2m) resulted in the advance at the net level.

Underwriting losses climbed from £6m to £20.9m, with £9.1m (£0.2m) being incurred in the UK, £4.2m (£2.1m) in Australia, £3.8m (£2.1m) in the rest of the worlds and £3.8m (£1.6m) at the international reinsurance subsidiary, Victory Insurance.

Premium income from pension and life business increased from £477.6m to £482m and general insurance from £131m to £136.2m.

Earnings per 25p share edged ahead from 10.27p to 10.65p and the final dividend is 5p net for a 7.6p (6.51p) total, costing £11.3m (£9.6m).

Eagle Star shines

Higher losses on general underwriting dented improved profits from insurance companies Legal and General, Eagle Star, and Prudential Corporation. Re-insurance was also squeezed. But it was another record year for the life insurance industry.

The brightest figures undoubtedly came from Eagle Star, which reported a 23 per cent rise in investment income. The concentration of the group's activities in the UK limited its exposure to the strength of sterling and the funds allocated to the Bernard Sunley acquisition contributed strongly during the second half. Given the caution expressed at the interim stage, the 28 per cent rise in second half profits at Grovewood was surprising and more than compensated for the increase in underwriting losses. Average rates in the motor business were increased by around 10 per cent at the beginning of this month but this sector is likely to remain a problem in the current year.

Life business profits moved ahead 40 per cent at Prudential, with Vanbrugh turned round from 1978's £2.4m loss, which derived from over-statement of unit values. The remaining two-thirds of the £7m rise came from ordinary and industrial business showing a similar improvement. In common with other companies, industrial branch growth was boosted by a change in the method of crediting tax relief. Mercantile and General, the re-insurance subsidiary, had a weaker year. The position is obscured by an undisclosed transfer to reserves, but this may have been of the order of £4m, leaving a £1m or so shortfall. On general insurance, the Pru has come rather late to index-linking of house policies. This, combined with a planned 20 per cent premium hike, should work through by autumn. For the current year, with life business still buoyant, £57m is analysts' cautious guess.

Legal and General points to VAT and bad weather lying behind its more than tripled general under-writing losses. Substantial overseas exposure—almost as large as UK business in general underwriting—meant a damper from strong sterling. The slashed tax bill, as a result of the underwriting losses, rescued the figures back to a modest post-tax increase. Investment income is up by a third, with a one-off special bonus payment to reward policyholders from the high yield on their funds. Life profits are up rather better than the other companies reporting. The other bright spot is the performance of the new South African life company, booking in under the £1.1m associated companies figures.

The three groups are all well placed to exploit the continued buoyancy in life business which is expected by analysts. At the same time, the steady increase in underwriting losses is unlikely to be arrested for two to three years and, despite the currently satisfactory solvency ratios, the impact of inflation on reserves will remain a worry.

BIDS AND DEALS

£2.5m acquisition by Trafalgar House

Trafalgar House, the property construction, newspaper and shipping group, has bought Focus 21 Developments, the residential development concern, in a deal worth £2.5m.

Part of the consideration has been satisfied by the issue of £293,040 nominal of Trafalgar's listed 10½ per cent unsecured loan stock 2001-06 with the balance being a new unlisted short-term unsecured loan stock.

Focus is engaged in residential development in the home counties and has a land bank of some 800 units. Existing sites will be completed and sold under the Focus 21 name but all future developments will be marketed and built by New Ideal Homes, Trafalgar's main house-building subsidiary.

Among the major future developments will be a scheme for 400 houses at Guildford, Surrey, as well as large sites at Hampton, London, and Datchet, Berkshire.

Focus has been operating since 1970 and has built 1,400 houses, all in London and the home counties.

B.O.C. SUBSIDIARY FOR CONTROL LASER

Control Laser has agreed to buy Industrial Power Beams, from BOC for about £400,000.

Control Laser is owned by a group of UK investors including Thompson Clive and Partners, and Control Laser Corporation of Florida.

Industrial Power Beams designs and makes gas and solid state laser systems.

GODFREY DAVIS TALKS CONTINUE

Directors of Godfrey Davis announce that the discussions with Compagnie Internationale Europcar S.A. concerning the disposal of the Godfrey Davis group's short-term and chauffeur-driven car hire interests are still in progress.

A further announcement will be made later this week at which time the suspension will be lifted.

SHARE STAKES

Joseph Webb and Co.—H. C. Webb, director, on March 19, sold 25,000 shares at 20p.

Security Centres Holdings — Jamieson Management Services, a company owned by Mr. I. S. Jamieson, a director of Security Centres, has acquired 30,000 shares making holding 1,919,360 (32.578 per cent).

H. P. Bulmer Holdings — C. J. P. Watney, director, on March 14 to up option on 25,000 shares at 92p and on March 17 sold these at 142p.

Crouch sheds its Irish loss-maker to Castlemeen

CROUCH GROUP, the builder, contractor and estate developer, has reached agreement for the sale of the capital of its wholly-owned housebuilding subsidiary in Dublin, Crouch (Ireland), to Castlemeen Investments for £100,000 in cash payable tomorrow.

Castlemeen has undertaken to procure the repayment of the loan of £242,000 from Crouch Group to Crouch (Ireland) together with a further £40,500 in lieu of interest.

The net proceeds of the sale will be used to reduce the bank borrowings of Crouch Group and these borrowings will be further reduced by the payment of the accrued interest of £40,500 on May 28, and by the repayment by instalments of £20,000 per month commencing July 1, of the £242,000 loan.

The outstanding balance will be secured and carry interest at 16½ per cent per annum.

Crouch Group said yesterday that it had been dissatisfied with the performance of Crouch (Ireland) for some time. Its profit record had been poor, and it had been trading at a loss in the current year.

Moreover, its borrowings had increased to a level which would have required additional capital to be injected by the parent company to enable trading to continue.

The net assets of Crouch (Ireland) at March 31, 1979 amounted to £536,000. Unaudited accounts at September 30, 1979 show that the company had incurred losses in the six months to that date of around £25,000 and, in the opinion of the directors, these losses are continuing to increase.

MORGAN EDWARDS

Following its share offer for Morgan Edwards, Louis C. Edwards and Sons has received acceptances in respect of 3,197,907 shares, representing 95.7 per cent. This includes acceptances in respect of 402,621 shares for the cash offer made by Samuel Montagu and Co. which have been assented to the share offer.

The cash offer closed on March 25, 1980. The share offer remains open until further notice.

MINING NEWS

Beisa plans public share offer

BY KENNETH MARSTON, MINING EDITOR

THE Union Corporation group's new Beisa uranium mine in South Africa which is expected to reach production a year ahead of schedule in 1981 will be making a public offer of shares either this year or early in 1981.

Announcing this in his annual statement the Union Corporation chairman, Mr. E. Pavitt, expresses his confidence in the long term growth in demand for uranium for power generation. He takes a cautious line regarding gold which was largely responsible for last year's biggest-ever advance in group profits to R83.7m (£47.4m).

Exemplifying its conservative approach, Union Corporation does not consider it prudent to anticipate in its forward planning a higher average gold price than $300-$350 per troy ounce "until the gold market shows some stability." Last night the metal closed at $507½.

The group's director responsible for gold and uranium activities, Mr. L. W. P. van den Bosch, comments that since the year end there has been "a deluge of gold on to the market in almost every conceivable form. This resulted in refineries being choked with stocks." And he adds that a decline of 40 per cent in European consumption of gold for jewellery has been forecast for this year.

However, the group's gold mines still seem set to expand earnings in the current year bearing in mind the fact that the average price for 1979 was only around $300. The platinum and industrial interests should also do well.

General Mining, which previously held 51.7 per cent of Union Corporation, recently bid for the remainder via a share offer of 80 General Mining for every 100 Union Corporation.

Shareholders of the latter voted to accept the offer and following the approval on Tuesday of the Supreme Court, Union Corporation now becomes a wholly-owned subsidiary of General Mining, creating a group with assets of some R2.7bn.

ROUND-UP

Tongkah Harbour Tin Dredging says that the Thai Government has still not signed the agreement for the reissue of the company's mining leases under the reconstruction proposals. The reissue of the leases is a prerequisite for the consideration of reconstruction proposals and the company is endeavouring to clarify the position with the Thai authorities.

Meanwhile, the dredge is continuing to work the current leases, but it will not be able to return to the Bhuket Bay leases as normal in early May. Instead, it is to operate in low grade sheltered reserves in Chalong Bay. Net profits for the past half-year were M$900,000 (£184,000) against M$986,000 a year ago.

* * *

The Consolidated Gold Fields group's base metal investment company, Vogelstruisbult Metal Holdings, warns that only a modest increase in dividends should be expected this year. It is pointed out that the company is committed to invest an additional R 1.25m (£705,000) in Sasot during the next 12 months and will follow up further investment opportunities as they arise.

* * *

Clutha Developments, the Australian coal mining subsidiary of British Petroleum, reports a heavy fall in 1979 net profits to only A$2m (£990,000) from A$23.1m in 1978. The setback reflects a seven-week strike at the Port Kembla coal loader coupled with lower prices paid by Japanese steel mill customers.

* * *

The oil consultants of Hampton Gold Mining Areas say that the latest well in North Sea Block 15/21e drilled by North Sea Sun Oil, in which Hampton has a 5 per cent licence interest, may have "a material impact" on Hampton's North Sea assets.

SHERRITT SEES HIGHER PROFIT

CANADA'S Sherritt Gordon Mines views 1980 "with a fair amount of optimism" following a year in which profits jumped to a record C$41m (£15.7m) from C$14.4m in 1978.

The president, Mr. David Thomas, points out that all the group's metal markets have improved since the year-end and increased copper grades are expected at both its mines. These are the Ruttan and Fox copper-zinc properties in Northern Manitoba.

The fabricated metal products division is fully booked for more than half the current year while the fertiliser business should continue to be good in line with a buoyant agricultural market in western Canada.

Further significant earnings are anticipated from the gold and silver operations which last year provided revenue of C$15.4m, or 5 per cent of the total. Output of precious metals should be higher this year

Rotork down 3.7% but prospects better

A LITTLE changed second half result left taxable profit at Rotork for 1979 down 3.7 per cent. Though the marine division moved strongly into profit, as anticipated, the controls side faced difficulties in introducing three new product ranges into an intensely competitive world market.

Overall profit by the group, which designs and makes valve control equipment, marine craft and machine tools, dipped from £3.3m to £3.18m on turnover £0.34m ahead at £19.18m.

Midyear, when the surplus slipped to £1.35m (£1.45m) the company said that the strength of sterling had had an adverse effect.

However, the new controls products and a sustained position in the marine activity are helping the group to expect an encouraging year in 1980. Against this the directors add a note of caution over the strength of the pound, particularly for the company's export based trades.

With the tax charge for 1979 up at £1.53m (£1.45m) stated earnings per 10p share were 1.6p lower at 8.1p. The net total dividend is being stepped up to 2p (1.31p) by a 1p final.

After a £167,000 (£138,000) adjustment for unrealised exchange differences and extraordinary debits of £150,000 (£16,000) attributable profit emerged at £1.33m (£1.7m). Of this dividends absorbed £520,000 (£280,000).

The retained balance came out at £814,000 (£1.42m).

● comment

Rotork currently enjoys a major position in the UK market for valve actuators and is also active overseas: its slight pre-tax decline is not therefore worrying. Over the past few years the company has followed a policy of seeking to increase market share at home and abroad even if this means a fall in margins. Last year's pre-tax margin was off a point, but the group now has a solid fifth of the American market. Strong sterling did pinch Rotork, but in other respects the group is "sitting pretty." With a cash balance of around £3m, this is one engineering group with plenty of interest received. Rotork's new electric and pneumatic actuator products, like many of its controls, are tied to the energy and petrochemical business and to power generation operations. So there should be plenty of growth potential, particularly if the Carter Administration gives a greener light on nuclear power development. The yield is 5.7 per cent at 56p, up 5p, and the p/e comes to 6.2 on published earnings.

Cartwright moves over £1m mark

WITH second half pre-tax profits of R. Cartwright (Holdings) increasing from £539,285 to £632,307, full year figures for 1979 were £1.13m against £931,285.

This manufacturer of door and window furniture had a tax charge of £590,632 (£485,146), leaving £543,675 against £446,139.

The Board envisages that £396,030 (£51,783) relating to deferred tax will not be required in the near future.

The final dividend is raised from 2.5606p to 2.9p, making a total of 4.625p (4.06061p). Stated earnings per 10p share are down from 11.01p to 10.44p.

Turnover for the year jumped from £5.98m to £8.81m.

Wm. Nash recovers to £0.68m

AFTER REPORTING a £162,000 downturn at midway, pre-tax profits of William Nash, unquoted maker of specialist papers, recovered in the second six months of 1979 to finish ahead at £681,979, compared with £662,030. Turnover for the year improved from £10.02m to £11.59m.

First-half profits had fallen to £207,000 (£369,000) and the directors then said that the strong pound had adversely affected profitability of the company's export business in the period.

Tax for the year takes £196,242 (£199,074) and after reduced extraordinary credits of £39,538 (£139,782) arising from the sale of surplus properties, available net profits emerged down from £602,738 to £525,275.

The final dividend is raised from 4.74p to 6.5p making a total of 12p (10.24p). Stated earnings per £1 share were up from 102.4p to 108.4p.

£5m offer by Mid Southern

Mid Southern Water Company is raising £5m by an offer for sale by tender of stock redeemable at par on April 30, 1985.

The offer is of 10 per cent redeemable preference stock at a minimum price of £98 per cent.

Tenders for a minimum of £100 stock have to be submitted before April 2 with a deposit of £10 per cent on application.

The first dividend will be £1.748 per cent and payable on July 1. Thereafter they will be paid half-yearly on January 2 and July 1.

Brokers of the issue are Seymour, Pierce and Company.

● comment

The terms of Mid Southern's issue are similar to the previous offer from Sutton District although the life of the stock is two years longer. Although market fluctuations make the outcome difficult to predict, the Mid Southern offer should be successful given that, at the minimum price, the running yield of 14.57 per cent and 15 per cent to redemption is slightly better than similar dated gilts, and for those able to take advantage of franked investment income, the return is an impressive 21.25 per cent.

Standard Ind. ahead at midway

TAXABLE profits of Standard Industrial Group, formerly Bentima Industries, advanced from £165,000 to £225,000 in the six months to December 31, 1979, on turnover of £4.53m against £3.86m.

Current trading continues satisfactorily despite the present difficult economic climate, say the directors of the group, which imports watches and clocks and manufactures precision instrumentation and components.

The interim dividend is 0.9p net. In addition, the directors propose to make a special payment of 0.95p in respect of the six months' extra trading following a change in the year end. The additional dividend, which will be paid concurrently with the interim, brings the total for 18 months to 2.864p.

Tax for the six months under review takes £117,000 (£85,000).

AB Electronics heading for £0.58m less at full time

AS FOREWARNED in November, the engineering dispute depressed performance at AB Electronics Products Group in the first half of 1979-80. The strike, combined with increased competition from imports, sliced 2½ per cent off sales and taxable profit slipped £185,258 to £398,254.

Now, with a second half expected to match the first, the electronics components and systems manufacturer looks headed for a sharp fall of some £0.58m from last year's peak £1.38m.

Good progress is, however, being made in certain product areas and the long-term outlook remains encouraging say the directors. They anticipate a good upturn in the next financial year with growth particularly in telecommunications and defence.

At the trading level first-half profit was down from £1.01m to [illegible] on external sales of £10.58m (£10.86m). The depreciation provision rose to £361,481 (£288,948) but net interest costs were cut from £142,698 to £76,361.

Stated earnings per 25p share were more than halved from 13.7p to 6p after meeting a tax charge of £227,254 (£455,512).

The net interim dividend is raised to 3p (2.5p) and absorbs £114,732 (£83,985). Last time a 7p total was paid.

All subsidiaries operated profitably during the six months and the German offshoot showed a 24 per cent increase in sales over last year. Plant modernisation and additions to specific products continued and capital spending was up 13.5 per cent.

Building is proceeding on new factories for printed circuits at Newbury and microcircuits in Austria which will open up new markets to the company.

Geo. Wills up £160,000 at year-end

AS FORESHADOWED at the interim stage when profits were almost doubled at £603,000, 1979 pre-tax surplus of George Wills and Sons (Holdings) at £1.18m, emerged ahead of the previous year's £1.02m. The second-half performance, however, showed a fall to £582,000, compared with £716,000 in the same period of 1978.

Management accounts for the first quarter of the current year indicate that the group is maintaining its level of profitability.

The final dividend of 3p net is 1p higher than that forecast in September and raises the total payment from 3.35p to 4.5p per share from earnings per 25p share stated at 15.95p (16.8p). A one-for-four scrip issue is also proposed.

Turnover of the importing and exporting group increased from £65.5m to £68.9m. With SSAP 15 adopted there was a favourable tax charge of £420,000 (£295,000) and a resultant increase in shareholders' funds from £3.74m to £4.57m.

The company has therefore taken the opportunity to bring its staff pension scheme to a position approaching full funding and the cost of this is included in an extraordinary debit of £185,000 (nil).

Dividends absorb £216,000 (£156,000) and retained profits emerged £200,000 lower at £346,000.

HME down slightly to £23.3m at nine months

THE STRONGER pound meant that although pre-tax profits of Harrisons Malaysian Estates showed an improvement in terms of Malaysian ringgit, the sterling equivalent for the nine months ended December 31, 1979, fell slightly to £23.32m, compared with £23.75m for the same period last year.

Turnover of the 80 per cent owned subsidiary of Harrisons and Crosfield slipped to £54.8m, against £55.3m. Using exchange rates applicable at the time, pre-tax profits for the period in Malaysian currency were $114m ($106m).

Crops, sales and exchange rates so far in the final quarter are such that it is expected that pre-tax profits in sterling for the full year will exceed the previous year's £30.47m.

Owing to a substantial fall in the price of cocoa, the nine-month profit on that crop was down £1m.

Earnings per 10p share for the nine months are shown lower at 7.8p (8.01p), while, to reduce disparity, the net interim dividend is raised from 1.5p to 2.5p, costing £4.17m (£2.5m). The directors say this payment should not be taken as an indication of the level of the final—last year's total was 6.5p.

	Nine months 1979 £000	1978 £000
Turnover	54,800	55,300
Trading surplus	20,336	21,251
Investment income	2,646	2,181
Associates' share	338	321
Profit before tax	23,320	23,753
Tax†	10,260	10,336
Net profit	13,060	13,417
To minorities	45	51
Earnings	13,015	13,366

† Comprises UK £363,000 (£292,000), Malaysia £9,715,000 (£9,860,000) and associates £182,000 (£184,000).

Resignations 'at request' of chairman

Two directors of Bernard Wardle, Mr. Eric Dodson and Mr. McLaren Morrish, who resigned from the board on Tuesday, did not do so at the request of the board, it was announced yesterday. Their resignations, said by the two men to have been "voluntary," were given at the request of Mr. Ronald East, the chairman.

Mr. East himself is due to resign shortly as chairman to make way for Mr. Graham Ferguson Lacey who has taken over the vinyl textiles group following a reluctantly agreed bid which went unconditional last week.

Mr. Ferguson Lacey is expected to make a statement shortly concerning the company's factory in Caernarvon in North Wales which the previous board proposed to close in May.

While supporting the board's policies, Mr. Ferguson Lacey has promised the workforce that he would look at the conditions leading to the proposed closure to determine whether it is "irrevocable."

Lyon & Lyon nears £0.78m

PRE-TAX profits of Lyon and Lyon the West Yorkshire Ford dealer, vehicle repair specialist and shipbuilder and repairer, improved from £621,527 to £779,742 during 1979. At the half-way stage, pre-tax profits were £398,616 after deducting £36,275 interest, against £243,824.

Group turnover was up from £7.11m to £9.7m.

The final dividend is raised from 3.5p to 4.5p making the total 7p (6p). Earnings per 25p share are shown lower at 17.32p against 18.77p. Tax charged soared from £6,300 to £190,763, leaving £588,979 (£615,227) before an extraordinary debit of £15,205 (£2,747).

STAG FURNITURE

In the current year sales by Stag Furniture Holdings have risen by some 12½ per cent over the corresponding period of 1979. In yesterday's report the increase was inadvertently shown as 2½ per cent.

NORTH AMERICAN NEWS

Avco sees slowdown after 10% rise in first quarter

BY OUR FINANCIAL STAFF

A GROWTH of 10 per cent in operating profits over the first quarter for the products and services group of Avco Corporation may not be achieved for the rest of the year, due to the economic climate, the company says.

Avco, which has wide-ranging interests in consumer finance, insurance, gas turbine engines and aircraft structure, pushed earnings 27 per cent ahead to $38.1m in the first quarter, ahead of revenues which rose 15 per cent to $520.3m.

Avco said that recently instituted credit controls at its consumer finance subsidiary are expected to have a minimal impact on earnings because of a programme of tight controls on receivables growth started in mid-1979.

Avco expects its residential sales by its land development group to slow due to rising mortgage rates. Consequently, the company is limiting all new construction and keeping inventories at low levels.

It said that land development sales during the first quarter dropped from last year primarily because of the lack of any bulk land sales.

Its first quarter earnings were increased by gains from foreign exchange fluctuations.

The company's Avco Embassy pictures division also showed improvement.

Diamond International reverse

BY OUR FINANCIAL STAFF

PROFITS OF Diamond International for the first quarter of the current year are expected to decline by about 30 per cent in comparison with the corresponding period of 1979. The company had net earnings last year of $4.58 a share, with 98 cents of that coming in the first quarter.

Mr. William J. Koslo, president and chief executive officer, says the sharp decline in timber prices, combined with start-up costs associated with Diamond's new tissue and paperboard plants, have severely affected profits of the divisions concerned, and "there is just no way we can meet last year's record first quarter."

He added that, given the present unsettled state of housing starts and mortgage financing, Diamond probably cannot look for any significant recovery in timber prices during the first half of 1980.

But he went on to say that the new facilities are showing a steady improvement in productivity as their start-up periods near completion, and the company can look forward to an increasing contribution to profits from the relevant divisions from the second quarter of this year onwards.

Solid growth at Lanier Products

BY OUR FINANCIAL STAFF

ATLANTA-BASED Lanier Business Products expects revenues and earnings from operations for its third quarter ended February 29 to increase by 50 per cent. The group, whose aggressive strategy has obtained a large stake in the dictating and word processing systems market in the U.S., gives a warning, however, that results from the 36 per cent-owned AES Data will reduce net earning by 13 cents a share.

AES Data manufactures in Canada video display text-editing typewriters which Lanier markets, leases and services.

Lanier said that it had expected that AES would have a positive impact on third-quarter results but a new management team at AES decided to use a more conservative accounting method.

In the third quarter, Lanier earned 63 cents a share on revenues of $42.6m. Lanier expects that third quarter net profits will still be higher than last year, even with the results from AES which contributed a profit of $225,000 or three cents a share in the 1979 third quarter.

The company is optimistic for the rest of its fiscal year and expects AES to regain profitability in fiscal 1980.

Gulf Oil share sale to raise C$300m

By Robert Gibbens in Montreal

GULF OIL Corporation of the U.S. plans to sell about 5 per cent of the shares it holds in Gulf Canada to public investors in Canada and the U.S., raising around C$300m (U.S.$252m) for the parent company.

The move would also reduce the Pittsburg parent's ownership in Gulf Canada to about 60 per cent.

The offering will be made by prospectus and handled by a group of U.S., Canadian and European securities firms.

The proceeds will be applied to Gulf's exploration spending, which is estimated at C$3bn.

The Mellon family of Pittsburg is believed to have offered control of Gulf Canada to the Canadian Pacific group about two years ago, but the deal fell through. In the past year, Gulf Canada has played a major part in oil discoveries off the east coast of Canada, and its shares rose from a low of C$36 to a high recently of nearly C$200. The current level is around C$145.

● Canada's largest helicopter operator, Okanagan Helicopters, earned C$2.1m or C$1.92 a share in the year ended January 31, against C$1.2m or C$1.20 a share in the previous year, writes our Montreal correspondent. Revenues were C$66m against C$42m.

The company says a C$45m re-equipment programme and expansion into serving offshore oil rigs accounted for most of the revenue increase.

Citicorp action on credit cards

NEW YORK — Citicorp, parent company of Citibank, second largest in the U.S. and the largest in New York, said its credit card operations may be moved to South Dakota from New York by July.

The company previously said that it planned to move the credit card activities to South Dakota to escape New York State's usury ceiling on interest rates charged on cardholder loans.

Citicorp expects to file papers in South Dakota this week for approval to form a federally chartered bank to run the credit card operations. It must also receive approval from the Federal Reserve Board.

Citicorp noted that South Dakota recently approved legislation which permits out-of-state bank holding companies to establish "special purpose" banks in the state.

The move will permit the company to set higher interest rates for its Visa and Mastercard charge cards.

Citicorp said that its credit card operations are losing money because of the high cost of funds it has encountered as a result of spiralling interest rates.

Reuter

Union Camp spending

Union Camp Corporation's 1980 capital spending will total an estimated $235m, compared with $284m last year, the annual report says, writes Reuter from Wayne.

The report added that the company's backlog of orders for its bleached and unbleached paper products remained strong and it expected a good operating climate this year.

Herbicide marketing

Rohm and Haas expects to begin full-scale marketing of its herbicide, Blazer, in April following expected registration by the U.S. Environmental Protection Agency, Reuter reports from Philadelphia.

EDF plans to raise record FFr 400m Eurobond

BY FRANCIS GHILES

ELECTRICITÉ de France (EDF) is raising a FFr 400m Eurobond through a group of banks led by Crédit Commercial de France, Paribas and Kuwait Investment Company. This is the largest French franc-denominated Eurobond to date, and half the amount of the issue has been pre-placed in the Middle East.

The borrower is paying a coupon of 14¾ per cent, and the issue, which carries the guarantee of the Republic of France, has a bullet maturity of five years. The bonds are expected to be priced next Wednesday. The French franc sector of the Eurobond market has been in better shape after the falls suffered last month.

The last French franc issue, a FFr 150m six-year issue for ECSC which yielded 14.51 per cent to maturity when it was issued two weeks ago, is currently trading at 98½, at which level it offers the investor a return of 14.64 per cent.

Other major sectors of the bond market were quiet yesterday. Dollar bond prices posted gains of between ¼ and ½ point, with many dealers anticipating further advances today in the wake of the good performance of the New York bond market yesterday.

In the Deutsche Mark market, foreign bond prices were steady with slight gains posted on some issues, which appeared to be due essentially to technical factors. The private placement for IBM which has been arranged by Deutsche Bank and Salomon Brothers was doubled to DM 200m after meeting a good reception. This issue, which runs for six years, offers a 10 per cent return to the investor. The commissions are believed to amount to 1⅞ per cent.

In anticipation of the UK Budget, sterling-denominated bonds posted gains of ¼ to ½ point on the day.

The £20m five-year Eurobond for the Swedish Export Credit Corporation was signed yesterday with the initial coupon of 15¼ per cent unchanged. Lead manager for this bond, which includes a dollar option, is Hambros Bank.

The New Zealand Refining Company has arranged a $500m credit, the proceeds of which are earmarked for expanding its existing refinery. The terms include a maturity of 11 years with 51 months' grace. The borrower will pay a spread of ⅝ per cent above Libor for the first three years, rising to ¾ for the following four years and ⅞ per cent for the remainder. The loan is co-ordinated by Bank of New Zealand, and Lloyds Bank International is acting as agent.

Prime-based deals face the axe

BY PETER MONTAGNON

AS THE DUST settles on President Carter's latest economic package, it is becoming clear in international banking circles that one casualty is likely to be the prime-based syndicated credit deal.

This conclusion is underlined by news that the National Bank of Hungary has introduced a Libor option for participants in its current $250m seven-year credit. The option was introduced shortly after the U.S. package was announced on March 14.

Prime-based deals were never universally popular with Euromarket bankers, although on the surface they appear to offer some useful advantages for both lenders and borrowers.

For borrowers, they can give a cosmetic advantage by reducing the apparent margin of a loan. Because U.S. banks are often able to fund lending from domestic resources at a cost below prime, they are prepared to accept a margin that is lower than would be the case if the deal were based on Libor.

At the same time, a prime-based deal would in normal circumstances be attractive to loan managers because it should bring in participation by U.S. regional banks, which do not normally have access to Euromarket funds.

However, in practice, prime-based deals have not really been successful in attracting the participation of regional U.S. banks. At the same time, they have excluded some European banks which do not have access to domestic U.S. funding.

Now, according to several U.S. bankers, the Carter package has made the advantages of the prime-based deal even more dubious.

For lenders, the question is whether a prime-based deal, which introduces an onshore element to the funding of a loan, squares with the Federal Reserve Board's new programme of credit restraint. Insofar as banks, particularly the smaller regional ones, have to set priorities in this respect, they are likely to concentrate on satisfying the needs of established domestic customers.

For the borrower, the problem is that a prime-based deal is, in current circumstances, simply more expensive than a Libor deal. The reason is that prime-based deals conventionally include an alternative base of the 90-day CD rate, adjusted for the cost of reserve requirements. This base becomes effective if the rate moves above prime.

At present, the adjusted rate is indeed above prime. It stands at something over 20½ per cent, compared with a prime rate of 19 per cent. Six-month Eurodollars are also about 19 per cent.

At the moment, therefore, it is clearly cheaper for borrowers to opt for a Libor-based deal, even though they may have to accept a slightly higher margin in the process.

MEXICAN BORROWING

The waiting is over

BY WILLIAM CHISLETT IN MEXICO CITY

AFTER THREE months of playing a cat and mouse game with foreign bankers, Mexico, one of the largest and most aggressive international borrowers, now intends to step up its activity, which has been at low level since the beginning of the year.

Mexico's self-imposed net public foreign borrowing target this year is $3.4bn, but there has been little borrowing in the first quarter because the finance Ministry has been waiting for the uncertainty in international markets to sort itself out.

As a developing country, Mexico is being hard hit by the rising cost of loans. Its public foreign debt at the end of 1979 amounted to some $30bn.

Mexico has been able to keep bankers at arm's length this quarter by drawing on unused commitments negotiated last year, and also by the lessening of pressure on its current account as a result of rising oil export revenues. Oil exports this year will be around $9bn, more than twice last year's figure.

Some $1.5bn of undrawn commitments totalling $3bn has been used so far, and new borrowings to date amount to only about $1bn.

The new borrowings have all been of small amounts and for short periods—three years at ¾ per cent above Libor are the terms for the two latest deals. These are for $100m by Nacional Financiera, the Government's development bank, and $200m by Financiera Nacional Azucarera, which is still being arranged.

Outlining the policy this year, Sr. Angel Gurria, the Ministry's Director of Foreign Financing, said:

1—The policy of arranging short-term loans would be continued, for its was proving to be a cheap way of getting money. Mexico did not need to look so much for long-term money of 12 and 15 years, for its credit-worthiness was improving every year because of oil and the fact that its economy is growing by 8 per cent per year. Therefore it was looking to borrow in the short term.

2—Mexico should now be classed along the same kind of lines as Spain and Denmark. Its credit-worthiness was better than, for example, Brazil, which was getting under 1 per cent above Libor, and Mexico would push for the better spreads which it was beginning to get.

3—Mexico this year was aiming at the following spreads: three years at ¾ per cent above Libor, five years at ⅞ per cent, six to seven years at ⅞ per cent and eight years at a split rate of ⅞ and ¾ per cent.

Sr. Gurria claimed that five banks, including three major ones in the U.S., were offering eight-year money on Mexico's terms. He would not name the banks involved.

"Our access to the markets will get better every year because we are getting a better name every year."

He cited the increase in Mexico's proven oil reserves last week from 45bn barrels to 50bn barrels, the sixth largest in the world, and the 10 per cent increase in the oil production platform, as examples of Mexico's excellent prospects.

Sr. Gurria said he did not envisage any loans this year of more than $400m to $500m.

Strong advance at Dutch banks

By Charles Batchelor in Amsterdam

TWO MAJOR Dutch banks, Nederlandsche Middenstandsbank and Nederlandse Credietbank, report higher profits for 1979 following a sharp rise in business volume.

NMB, which is number four in the Dutch banking league, expects a further expansion of activities this year and hopes for a further rise in profit, following an upturn in the first quarter.

In 1979, NMB's net profit rose by 25 per cent to Fl 157m ($76m) compared with growth of 28 per cent in 1978. Balance sheet total rose by 22 per cent to Fl 40.5bn ($19.6bn). NMB proposes raising its final dividend by Fl 1 to Fl 8.50, bringing the total payment to Fl 13.50.

Pre-tax profit on lending rose by 29 per cent to Fl 772m and commission earnings were up 9 per cent to Fl 420m. Commission earnings were adversely influenced by losses in securities business and lower profits on foreign exchange dealings.

Nederlandse Credietbank, the fifth largest in the Netherlands, described its 1979 performance as "not unsatisfactory," and plans a higher dividend.

Net profit rose by 8 per cent to Fl 23.8m ($11m) compared with a 24 per cent growth in 1978. Balance sheet total rose by 21 per cent to Fl 11.2bn ($5.4bn) after a 16 per cent expansion the year before. Dividend is being raised to Fl 4.60 per share from Fl 4.50.

The sluggish development of the economy and the fluctuations in interest rates and currencies meant that last year's performance was "not up to expectations." Much of the increase in business volume was attributable to the expansion of Eurocurrency business, which now represents 35 to 40 per cent of the balance-sheet and accounts for 25 per cent of profits.

Fluctuations in interest rates make forecasting difficult, but the bank expects to maintain profits in 1980.

Sharp rise at Esso Italiana

By Rupert Cornwell in Rome

THE IMPROVED climate for foreign oil companies operating in Italy has been demonstrated by a sharp improvement in results reported by Esso Italiana, the local subsidiary of Exxon Corporation of the U.S.

The company reported 1979 net earnings of L61bn ($73m), compared with a deficit of L12bn the previous year, and an accumulated loss of L57bn ($65.4m) between 1976 and 1978 inclusive. Sales on the Italian market rose by 3 per cent in volume last year to 8.2m tonnes, while turnover rose to L3,231bn ($3.67bn) from L2,534bn.

The company attributed the improvement mainly to the freer oil-product price arrangements introduced by the Rome Government last year.

Air France loan

Air France, the French state-owned airline, is arranging a $23m ten-year Eurocredit which includes a spread above the interbank rate of ⅝ per cent for the first five years rising to ¾ per cent for the remaining five, our Euromarkets Staff writes. Lead manager of the loan is Credit Lyonnais, which is heading an international syndicate of banks.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on March 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	80¾	81¼	+0½	+1	13.71
Alex Howden XW 5½ 91	30	†68	70	−2	−2	15.48
Australian Res. 9⅜ 84	30	83⅜	83⅞	0	−1⅛	14.96
Avco O/S Cap. 10⅜ 87	40	75½	76	0	−0¼	16.20
Beneficial Fin. 9¾ 87	100	79⅜	79⅞	+0⅛	−1⅛	14.48
CECA Grad. Rate 12 86	100	88⅜	88⅞	0	−0⅛	14.77
CECA 11⅞ 90	50	85⅜	85⅞	−0⅛	+0⅛	14.32
Canadian Pacific 9⅜ 89	50	79¾	80¼	−0⅛	−1⅛	13.70
Carter Hawley 9⅜ 86	50	80½	81	+0⅛	−1⅜	14.61
Comalco Inv. E. 10⅛ 91	40	79⅜	79⅞	+0⅛	+0⅛	13.95
Continental Grp. 9⅜ 86	100	80⅜	80⅞	−0½	−1⅜	14.64
Dome Petroleum 10 94	50	77⅜	78⅛	+0⅛	+0⅛	13.56
Dominion Bridge 10⅛ 84	30	86⅞	87⅜	+0⅛	−0⅞	14.54
EIB 11¾ 92	80	84½	85½	+0⅛	−0⅛	14.47
EIB 10.15 99	190	†72⅝	74½	+0¼	−0⅛	14.72
Exportfin 11⅛ 87	50	87⅝	88⅛	+0⅛	−0⅛	14.11
Export Dv. Cpn. 9¼ 84	100	83½	84	+0⅛	−1	15.00
Export Dv. Cpn. 9⅜ 84	150	83⅝	84⅛	+0⅛	−1⅛	14.93
Finland 9⅝ 89	100	75⅝	76⅛	−0⅛	−1	14.84
GTE Finance 9⅜ 89	55	78⅞	79⅜	+0⅛	−0⅛	13.86
GMAC 9⅛ 86	100	80¼	80¾	0	−1⅛	14.14
GMAC O/S Fin. 11 84	100	89	89½	−0⅛	−1⅛	14.24
Gould Int. Fin. 9⅜ 85	50	83¼	83¾	+0⅛	−1	14.67
ITT Antilles 9½ 89	75	76⅝	77⅛	+0⅛	+0⅛	14.17
Kennecott Int. 9⅜ 86	100	79⅛	79⅝	0	−0⅞	14.83
Manitoba 9½ 89	75	77⅝	78⅛	+0⅛	−0⅛	13.97
Michelin 10 94	125	74¼	74¾	−0⅛	+0⅞	14.23
Nat. Gas Telecm. 9½ 86	100	81¼	81¾	−0⅛	−0⅞	14.14
New Brunswick 9¾ 94	75	73½	74	+0⅛	−0⅞	14.18
Newfoundland 10 84	50	77⅞	78⅜	+0⅛	+0⅛	13.57
Norges Komm. 9⅞ 98	100	71¾	72¼	−0¼	−1⅛	14.63
Norway 9½ 84	150	83⅝	84⅛	−0½	−1⅛	14.98
Nova Scotia Pwr. 9⅜ 89	50	79½	80	+0½	−0⅛	13.73
Occidental Fin. 10⅛ 84	50	86	86½	0	0	14.86
Orient Leasing 9½ 86	25	†78½	79	0	+0⅛	14.82
Pennwalt O/S F. 9⅜ 84	25	83⅝	84⅛	+0⅛	−1⅛	15.20
Pepsico Cap. 9¼ 84	100	84¼	84¾	−0⅞	−1⅛	14.70
Quebec Hydro 10 98	75	74½	74⅞	+0¼	−0⅛	13.82
Sears Roebuck 9 82	150	89⅛	89⅝	+0¼	−0⅛	15.91
Statoil 9⅜ 89	100	78⅜	78⅞	+0⅛	−0⅛	13.80
Sweden 9⅜ 89	100	78½	79	+0⅛	−1⅛	14.01
Sweden 9½ 86	200	80⅞	81⅜	0	−0⅛	14.80
Sweden 9⅜ 84	100	83⅞	84⅜	+0⅛	−1⅛	14.88
Unilever NV 9¼ 87	100	79⅛	79⅝	−0⅛	−0⅞	13.90
Warner-Lambert 9 84	100	83	83½	−0⅛	−1	14.50

Average price changes... On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	90¾	91½	−0⅝	−1⅜	9.69
Asian Dev. Bk. 7⅜ 89	100	80	80¾	−0⅛	−2¼	10.65
Australia 6⅞ 90	250	94½	95¼	0	−1⅛	8.90
Barclays O'seas 6⅞ 89	100	78¾	79½	0	−1	10.43
BFCE 7⅜ 87	100	90	90¾	+0½	+0⅞	8.74
BFCE 8⅜ 95	100	86	86¾	+0⅛	−0⅛	9.91
Brazil 8 87	150	86⅞	87½	+0½	+0⅛	10.67
CECA 7 91	150	83⅛	83⅞	0	−0⅛	9.47
Council of Eur. 7¼ 89	100	86⅞	87⅝	+0⅝	+0⅛	8.46
Denmark 7⅞ 86	100	89	90	0	−0⅛	10.35
Denmark 8⅛ 92	100	86⅞	87⅝	+0⅛	−1⅛	10.24
EEC 7⅞ 94	225	85⅜	86½	+0⅛	−0⅛	9.68
EIB 7½ 89	200	83⅝	84⅛	+0⅝	−1⅛	10.31
Finland Rep. of 8 86	150	90⅞	91⅜	+0⅛	−0⅛	8.80
Kobe, City of 7⅛ 89	150	82¾	83¼	+0½	−0¼	9.91
Neder. Gasunie 8 86	100	91	92	−0¼	−0⅛	9.77
New Zealand 7⅛ 87	200	85⅞	86⅛	+1⅜	0	8.90
Norges Komm. 7⅜ 81	150	85¼	86⅛	+1	+0⅝	9.91
Norway 7½ 85	250	92⅜	93⅜	+1	+0⅞	8.36
OKB 6 87	40	81½	82½	+0⅛	−1⅛	8.71
OKB 7⅛ 89	100	82⅛	82⅞	+0⅛	−2	18.34
World Bank 7⅜ 91	400	83½	84¼	+0⅝	−0⅛	10.21
World Bank 7⅞ 90	250	86⅞	87⅝	0	+0⅞	9.97

Average price changes... On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	85⅜	85⅞	+0¼	+2½	7.57
Aumar 6 89	60	83½	84½	+0⅞	+0¼	7.44
Australia 3⅞ 89	250	79	79½	−0⅛	−2⅛	8.77
Bergen, City of 4⅛ 91	40	83¼	83¾	+0½	+2	8.89
BNDE 8 89	75	77⅝	78⅛	0	+0¼	8.50
BMW Overseas 4⅛ 91	100	82½	83	0	+1½	6.41
Caisse Nat. Tels. 4⅛ 89	100	82⅞	83⅜	−0⅛	−0⅛	6.89
Canada 3⅞ 89	300	79	79½	−1	−1	6.78
CCCE 5⅜ 90	100	94¼	95	−0¼	−0¼	5.45
Copenhagen 4½ 91	60	75¼	76¼	+0⅛	+2⅞	7.72
Council of Eur. 5 89	100	84⅞	85⅜	+0⅛	+2	7.20
EIB 4½ 91	100	79⅜	79⅞	+1⅛	+0⅛	7.20
EIB 4⅞ 94	100	78¾	79½	+0¼	+6½	6.67
Elect. de France 4⅛ 89	100	85⅝	86⅛	+0⅛	+2⅛	6.41
GZB 4¼ 88	100	84¼	84¾	0	+2¼	6.47
Hilti 4½ 91	35	85	85½	+0⅛	+2	6.05
Int.-Amer. Dev. 4½ 89	100	80	80½	0	+2	7.50
Jutland Tele. 5½ 90	50	92¾	93½	−0½	+1½	3.46
Malaysia 5 89	80	83¼	83¾	−0¼	+0⅞	7.49
Nippon Tel. & T. 4⅜ 89	100	82½	83	+0⅝	+1	6.76
Nordic Bank 5 89	45	88	88⅜	+0⅛	+1⅞	6.71
Norges Komm. 4⅜ 91	100	80½	80⅞	+0⅛	+1⅝	6.89
OKB 3⅞ 91	100	73⅜	73⅞	+0⅛	+0⅛	7.33
OKB 4⅛ 91	100	79	79⅜	−0⅜	−0⅞	7.08
Oslo, City of 4⅞ 91	100	79½	80	+0⅛	+2	6.98
Shikoku El. Pwr. 4⅛ 89	100	84½	85	−0⅛	+0⅛	7.01
Steweag 4⅜ 91	60	84⅛	84⅝	+0⅝	+2	6.75
Voest-Alpine 4⅜ 89	30	85	85½	+0⅛	+2⅛	6.98
World Bank 4⅞ 89	100	85	85½	+0½	+4⅞	6.80
World Bank 4⅛ 89	150	79¾	80¼	+0⅛	+0⅛	7.37
World Bank 4⅜ 91	100	80	80½	−1	−0⅛	7.18

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	90	91	−0½	−1⅛	12.71
Australia 6½ 88	20	72⅜	73⅜	−0⅛	−1⅛	11.88
EIB 7⅛ 89	12	80½	82½	0	−4⅛	10.98
Finland 5.6 83	10	82	83	0	+0⅛	11.81
Finland 6.8 88	10	76½	77	+0⅛	−2½	11.31

Average price changes On day −0⅛ on week −2

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin. 10¼ 86 C$	25	79⅜	80¼	−0⅛	−0⅛	15.59
Bell Canada 10⅜ 86 C$	60	85⅛	85⅞	−0⅛	−0⅛	14.27
Cr. Foncier 10⅛ 84 C$	30	84⅜	85⅛	0	0	15.08
Ex. Dev. Cpn. 10 84 C$	50	85½	86	−0⅛	−0½	14.82
Fst. Can. Inv. 10 84 C$	50	84⅞	85⅝	0	−0⅛	15.06
Hudson Bay 10⅛ 89 C$	60	78¼	79	+0⅛	+0⅛	14.95
Quebec 10⅛ 86 C$	50	81	83	−0⅛	−1	14.97
R. Bk. Canada 10 86 C$	40	84½	85	0	+0⅛	13.83
R. Bk. Canada 10 94 C$	40	75¼	75¾	0	+0⅛	14.07
Copenhagen 8½ 91 EUA	20	†88	89½	+0⅛	−0⅞	10.48
M. Bk. Dnmk. 8 91 EUA	25	81⅞	83⅛	+0¼	+0⅛	10.11
SOFTE 8¼ 89 EUA	40	81	82¼	0	+0⅛	11.84
U. Bk. Nrwy. 9½ 90 EUA	18	97⅜	88⅜	−0⅛	−0⅛	9.80
Algemene Bk. 8⅛ 84 Fl	75	91⅛	91⅝	0	+0⅛	10.75
Ned. Gasunie 8⅜ 84 Fl	50	89½	90	−0⅛	−0⅛	11.92
Ned. Middbk. 8¼ 84 Fl	75	89⅝	89⅞	+0½	−0⅛	11.63
Norway 8¼ 84 Fl	100	90⅜	90⅞	−0⅛	−0⅛	11.31
Norway 8⅛ 84 Fl	100	90⅞	81⅜	−0⅛	−0⅛	10.81
Philips Lamps 8⅛ 84 Fl	75	91	91½	−0⅛	0	11.12
Air France 11 84 FFr	120	89⅜	90⅜	−0½	−0⅛	14.15
Euratom 9⅞ 87 FFr	150	79⅜	80¼	−0⅛	−0⅛	14.31
Finland 11 84 FFr	80	87⅜	88⅜	−0⅛	−0⅛	14.70
Finland 11½ 88 FFr	70	83¾	84½	0	0	14.65
Gaz de France 11 84 FFr	150	89½	90⅜	0	+0⅛	14.00
IBM France 11⅞ 84 FFr	120	89⅜	90½	−0⅛	−1	14.87
Renault 9⅞ 85 FFr	100	81⅞	83⅛	+0⅛	+0⅛	14.71
Saint-Gobain 9⅜ 86 FFr	130	80⅜	81⅜	−0⅛	+0¼	14.70
Solvay et Cie 9⅜ 87 FFr	125	77⅜	78⅜	−0⅛	−0⅛	15.00
Total Oil 9⅞ 87 FFr	150	78⅜	79⅜	−0⅛	+0⅝	14.40
Citicorp O/S 13½ 90 £	50	90½	91⅜	+0⅛	+0⅛	15.39
EIB 11½ 91 £	25	80¼	81⅛	+0⅛	+1	15.03
Finance for Ind. 13 91 £	15	86⅞	87⅞	+0⅛	+0½	15.45
Fin. for Ind. 12½ 89 £	30	85⅝	86¼	+0½	+0½	13.46
Fin. for Ind. 14½ 88 £	20	95⅞	96⅜	+0½	+0⅛	15.42
Gen. Elec. Co. 12½ 89 £	50	88⅝	89⅛	+0⅛	+0⅞	14.79
Indonesia 8⅛ 91 KD	7	†93	93½	0	0	9.75
Mitsubishi 7½ 84 KD	10	†91⅜	92⅛	0	−3⅜	9.83
Norges Kom. 7⅛ 89 KD	12	†93⅜	93⅝	0	0	8.53
Occidental 8¼ 91 KD	7	†90⅛	90⅝	0	0	9.67
Akzo 9⅛ 87 LuxFr	500	83⅜	84⅜	−0⅛	−2⅜	12.65
Euratom 8 87 LuxFr	500	77½	78⅜	+0¼	−1⅛	13.01
Euratom 9⅜ 88 LuxFr	500	86⅜	87⅜	+0½	−0⅛	12.40
[illegible] 88 LuxFr	500	88½	89½	+0⅛	−1½	11.96
Volvo 9¾ 87 LuxFr	500	85½	86½	−0¼	−1½	12.68

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bk. 5¼ 87	0⅜	93½	97	2/7	16⅛	15.63
Banco di Roma Int. 6 87	0¼	98⅝	99½	26/4	15⅜	15.93
Bank of Ireland 5⅞ 89	‡0⅛	96⅛	96⅞	21/5	16⅛	16.69
Bank of Tokyo 5⅛ 89	‡0⅛	96⅞	97⅜	25/4	14.56	14.99
Barclays O/S Inv. 5 90	0⅛	96¼	96¾	13/8	14⅛	14.77
Bergen Bk. A/S 8 89	‡0¼	96½	97	29/5	17⅛	17.63
Bque. Indo Suez 5⅞ 89	0⅛	96¼	97¼	11/7	14.69	13.14
Citicorp O/S F. 6 94	‡0⅛	99⅛	99⅝	8/8	18.81	18.93
Citicorp O/S F. 93	§‡0	99	99½	23/5	16.06	18.18
Citicorp O/S F. 84	‡0	99⅛	99⅞	30/5	16.84	17.00
Co-operative Bk. 8 86	0⅛	97⅛	97⅝	15/5	15.06	15.45
Creditanstalt 5½ 91	§‡0⅛	98¼	98¾	14/8	18.44	18.72
CNT 5¼ 86	§0⅛	99⅛	99⅝	16/4	15.19	15.28
GZB 5½ 89	‡0¼	97⅛	97⅝	1/5	14⅝	15.02
Jugobanka 8 89	0⅞	92	93	23/5	16	17.30
Ind. Bank Japan 5⅛ 87	0⅛	97½	98	13/4	14¼	14.58
LTCB Japan 5¼ 88	0¼	96½	97	13/8	14¼	14.73
LTCB Japan 5½ 89	0⅛	96⅛	96⅝	7/8	14.18	14.72
Mfrs. Han. O/S 5⅛ 94	‡0⅛	98¼	98¾	30/5	17⅛	17.39
Midland Intl. Fin. 5 89	0¼	97⅞	98⅛	20/6	18	15.29
Nacional Fin. 6¼ 88	0¼	96½	97	25/7	14.69	15.18
Nat. West. 5⅛ 94	§0¼	97½	98	11/4	14.94	13.28
Nippon Credit 6½ 88	0½	95¾	96¼	12/7	14.44	15.04
Nippon Credit 5¼ 87	‡0¼	96⅞	97⅜	8/5	14.69	15.12
Royal Bk. Scot. 5⅛ 94	§‡0⅛	98½	98	11/4	14⅜	14.81
Soc. G. de Bque. 6½ 87	0⅛	87	97½	3/4	13¼	13.62
Sogenal 5⅜ 89	§0¼	96½	97	13/7	14.44	16.92
Standard Chart. 5⅛ 90	0⅛	97⅜	98⅛	6/9	17⅛	17.60
Sweden 8⅛ 91	‡0¼	96⅞	97⅜	18/4	14.44	14.87
TVO Pwr. 8 91 (D-lock)	0⅛	96½	97	24/8	15.31	15.83
Williams & Glyn 5¼ 91	0⅛	97½	98	14/6	18½	18.93
Bq. E. d'Alg. 4¾ 89 SF	0⅝	91	92	18/6	8.69	7.31

Average price changes... On day 0 on week +0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktbolag 7⅜ 89	10/79	145	111⅛	112⅛	+0½	−4.68
Ajinomoto 7¼ 85	2/80	618	85⅜	86⅜	0	0.98
Alco Int. Fin. 9½ 94	1/80	40	84	85	0	25.74
Asahi Optical 7 94	11/79	605	80⅛	81⅛	+0¼	−2.52
Canon 6⅞ 94	8/79	570	95	96	0	4.07
Ciba-Geigy O/S F. 4 94	9/79	675	86	87	0	1.65
Credit Saison 4⅞ 93	10/79	1325	86½	87⅜	+0½	−6.97
Daiei Inc. 6½ 94	11/79	1020	88½	89½	−0⅛	34.21
Enserch Fin. 9½ 94	7/80	30.25	96⅜	97¼	0	15.94
LPC Internatnl. 8 89	9/79	23.33	92¼	93	+0½	25.27
Meidensha Elec. 7 94	12/79	210	84½	85½	0	11.43
Mitsubishi Cp. 6½ 94	10/79	604	113⅜	114⅜	+0¼	3.08
Nippon Seiko 7⅛ 94	12/79	339	93⅛	94½	0	−1.08
Nitto Elec. Ind. 6 94	7/79	735	63½	64½	+0⅛	−1.00
Toshiba Cpn. 7⅛ 94	10/79	193	87	88	−0⅛	−1.92
Union Bk. Switz. 5 89	2/80	125	87⅞	89⅛	−0¼	−10.79
Fujitsu 5 84 DM	7/79	475	87¼	89	−1⅞	3.12
Kansai Elec. 4 84 DM	4/79	1234	79¼	79¾	−0⅛	41.93
Tokyu Ld. Cp. 4 85 DM	4/79	493	71½	72½	+0¼	34.73
Uny Co. 6⅛ 85 DM	11/79	1071	86⅝	87⅛	0	33.39

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

U.S. QUARTERLIES

EX-CELL-O	1980	1979
First quarter	$	$
Revenue	239.7m	215.7m
Net profits	10.28m	12.24m
Net per share	1.01	1.20

MATTEL INC.	1979	1978
Fourth quarter	$	$
Revenue	204.3m	103.9m
Net profits	6.9m	1.2m
Net per share	0.28	0.07
Year		
Revenue	805.1m	493.6m
Net profits	30.5m	24.0m
Net per share	1.35	1.23

PILLSBURY	1980	1979
Third quarter	$	$
Revenue	751.7m	478.6m
Net profits	19.94m	15.45m
Net per share	0.95	0.88
Nine months		
Revenue	2.22bn	1.46bn
Net profits	79.26m	61.49m
Net per share	3.96	3.51

SKYLINE CORPORATION	1980	1979
Third quarter	$	$
Revenue	65.6m	79.7m
Net profits	330,000	1.03m
Net per share	0.03	0.09
Nine months		
Revenue	269.1m	304.9m
Net profits	5.18m	8.5m
Net per share	0.46	0.85

TEXAS AMERICAN OIL	1979	1978
Fourth quarter	$	$
Revenue	33.4m	23.8m
Net profits	1.64m	853,000
Net per share	0.25	0.15
Year		
Revenue	113.7m	87.6m
Net profits	3.69m	3.27m
Net per share	0.63	0.59

Equity financing for Kenana Sugar

By James Buxton

THE Kenana Sugar Company, which runs one of the world's largest sugar plants, in Sudan, is to finance the last stage of its construction by nearly doubling its equity capital, to about $310m. A meeting is to be held in Khartoum this weekend to finalise the arrangements.

Kenana began making sugar in mid-February and is now producing about 750 tons of sugar a day from one of the two trains of the factory. But a further $150m is needed to complete the second train of the factory, the irrigation work, and the housing to bring the plant up to its full capacity by the 1981-82 crushing season.

Part of the additional funds were to have been provided in the form of loans but at recent meetings of the major shareholders in Kuwait it was decided to raise the $150m in the form of equity. Some $130m of this is likely to be in the form of preference shares and the rest ordinary shares. Both types of share will carry full voting rights.

Transformed prospects

The negotiations have been protracted and difficult, not because of reluctance by shareholders to sink further funds in the project, the cost of which is now several times the original estimates, but because shareholders believe that the recent rise in the sugar price has transformed Kenana's financial prospects. Both the Sudanese and Kuwait Governments are anxious to have bigger stakes. Sugar prices in the past three months have been up to, and at times have exceeded, Kenana's estimated break-even point of $500 per ton.

Two new shareholders are expected to take equity under the new arrangements. They are the Arab Authority for Agricultural Investment and Development (AAAID), a multi-state Arab concern based in Khartoum, and the El-Nilein Bank, a State-owned Sudanese bank. These two institutions are expected to account between them for at least $30m of the new capital in ordinary and preference shares.

The Sudan Government is expected to take $30m worth of shares in hard currency. The Kuwait Foreign Trading Contracting and Investment Company, which manages the Kuwait Government's stake, will underwrite the issue.

Smaller shareholders

It is not clear whether the two other large shareholders, the Saudi Arabian Government and the multi-state Arab Investment Company (AIC), which was largely responsible for steering through the new capital formula, will take up any of the new equity. Nor is the position of the smaller shareholders yet known. These are Lonrho, which managed the project until 1977, Gulf Fisheries, a private Kuwaiti company, and Nissho-Iwai, a Japanese concern.

Kenana's current authorised capital at present is S£79.475m, which is $158.95m at current exchange rates. Of this, the Sudan government together with the state-owned Sudan Development Corporation (SDC) hold 40.26 per cent, the Kuwait Government 18.52 per cent, Saudi Arabia 18.24 per cent, the AIC 13.69 per cent, Lonrho 3.34 per cent, Nissho-Iwai 1.17 per cent, and Gulf Fisheries 1.17 per cent. Some 3.77 per cent is unsubscribed.

Under the new arrangements the Sudan Government (with the SDC) will just remain the biggest single shareholder.

The total cost of the project is still officially put at around $600m (financed from both equity and loans of different kinds) though the total funds the project may consume before it makes a return on capital has been unofficially put as high as $1bn. But if sugar prices remain high the company could start paying dividends in 1983.

Kenana should be in full production by the 1981-82 crushing season, producing 330,000 tons of sugar a year from 81,000 acres.

BANKING IN WEST GERMANY

Dresdner to expand further in U.S.

BY KEVIN DONE IN FRANKFURT AND MICHAEL LAFFERTY IN LONDON

DRESDNER BANK of West Germany, one of the ten largest banks in the world with group assets in excess of DM 140bn, is planning further expansion of its operations in the U.S.

Dresdner will find its growth outside West Germany in coming years, Dr. Manfred Meier-Preschany, board member responsible for international banking said. "Our network is not complete. We feel very positive about the U.S., Latin America and the emerging role of the Far East," he said in an interview.

At present Dresdner has foreign branches in New York, Chicago, Los Angeles, London, Paris, Tokyo, Madrid, Hong Kong and Singapore. It has around 1,000 branches in West Germany and is the country's second largest bank.

Dr. Meier-Preschany said that Dresdner had modified its original objectives for going international, which were simply to serve the needs of the bank's German corporate clients. He refused to comment on whether the bank was now seeking a U.S. bank takeover, but said: "If you are in Rome, you do as the Romans do." He added that he would not be surprised to see more foreign banks entering the U.S. retail banking arena "to chase a bigger pack of middle-size corporate customers."

Talking about international banks in general, Dr. Meier-Preschany thought that their multinational character would gradually be replaced by a transnational one, "with their shareholders, if not the majority ownership, spread among all the countries in which they operate."

In contrast to Dresdner, management at Deutsche Bank, West Germany's largest bank, says it has now more or less reached the end of current international expansion plans. As things stand the bank has branches in London, Paris, Brussels, Antwerp, and a subsidiary in Luxembourg. Elsewhere, it has a branch and an investment banking arm, Atlantic Credit Corporation, in New York as well as one branch in Tokyo and three in South America.

Deutsche Bank is also a leading member of the EBIC banking club, which also includes Midland Bank. The EBIC partners own a number of banks, including European-American Bank in New York which is based on the old Franklin National Bank.

Deutsche Bank says it is not interested in retail banking outside West Germany. "It would have nothing to do with serving our domestic corporate customers," states Dr. F. Wilhelm Christians, a senior board member and joint speaker at the bank.

Commerzbank, the smaller of the three major banks, has operating units in a dozen foreign centres, including New York and Chicago. Dr. Wolfgang Jahn, board member responsible for international affairs at the bank, says there are "two or three more spots around the globe" where Commerzbank could open branches.

The possibility of a U.S. takeover was "a permanent question for discussion" at the bank. However, there are no plans, and the bank is now likely to settle for a period of consolidation.

Reduced loss at Renault trucks

BY TERRY DODSWORTH IN PARIS

RENAULT VEHICULES Industriels, the commercial vehicle wing of the nationalised French motor company, reduced its losses last year to FFr 269m ($61m) compared with FFr 400m in 1978.

Despite the ending of its expensive redundancy programme, however, RVI is unlikely to emerge from the red this year as it hoped previously.

According to a statement by M. Francois Zannotti, chairman of RVI, the company is likely to be hit by the steep rise in interest rates currently being felt in France. These increases will be particularly burdensome because of the group's high level of indebtedness.

M. Zannotti's remarks, leaked from a private meeting in advance of the official publication of the figures, indicate that the company also sold off FFr 70m worth of assets last year as part of the rationalisation programme.

Most of this reorganisation is now finished in France. The two inherited distribution networks of Saviem and Berliet have been amalgamated, and the redundancy programme for more than 30,000 workers brought to an end.

Both of these factors weighed on the accounts last year, with the redundancies costing about FFr 160m, compared with a total of FFr 243m over the two years up to the end of 1979.

In addition, the company suffered several strikes. These interruptions reduced output by about 4,000 vehicles and contributed to its loss of market share in France, for it finished the year with about 41 per cent of commercial vehicle sales.

Monier offer for Clifton Brick

BY JAMES FORTH IN SYDNEY

MONIER, the major building products group, has made an A$24.4m (U.S.$26.5m) cash takeover offer for Clifton Brick Holdings, the Victorian clay brick maker. The Clifton Board is yet to consider the bid, but the powerful Ansliss family owns about 40 per cent of the company and the chairman, a member of the family, has already labelled the offer price as "totally inadequate."

Monier is offering A$1.65 a share, which until recent weeks would have compared with a high of just over A$1.00. The price has strengthened recently to A$1.25. The bid needs the approval of the Foreign Investment Review Board (FIRB) because Redland of the UK owns 47.6 per cent of Monier. This is a legacy of a contested takeover in 1970 after which Redland signed a written agreement that it would not seek more than 50 per cent of the capital.

Redland has board representation but the Monier management is autonomous and selected locally. The offer price is equivalent to 13 times Clifton's 1978-79 earnings and compares with an industry average p-e ratio of 7.7. It is also well above Clifton's stated net asset backing of A$1.10 a share.

Monier is making a formal takeover approach. It cannot use the on-market approach—standing in the market for one month taking all shares offered, because as a foreign company it must obtain FIRB approval to acquire more than 15 per cent of Clifton. The bid was announced yesterday morning after a meeting between Mr. Jack Davenport, the Monier managing director, and Mr. Adrien Gibson, Clifton's chairman.

Monier's major product is terra cotta roof tiles and it makes clay bricks only in Western Australia. Clifton holds about 21 per cent of the Victorian market and also has plants in the Australian capital territory and Tasmania.

Monier said it was interested in Clifton to enable it to provide its customers in the building industry with "total supply packages" which would lead to economy and price containment.

Waltons omit interim

BY OUR SYDNEY CORRESPONDENT

WALTONS, THE Australian retail group, incurred a further loss in the January half year, despite buoyant trading over the Christmas period, and has omitted an interim dividend payment. The group was affected by a continued decline in instalment credit sales, which make up almost 40 per cent of Waltons' retail sales, and a cut in gross margins to meet competition and to clear surplus inventory.

The loss for the period was A$455,000 (U.S.$495,000) compared with a profit of A$4.5m in the first half of 1978-79. However, the group plunged into a A$6m loss in the second half last year, resulting in an overall deficit for the full year of A$1.5m. A final dividend was omitted, but the company paid an interim of 3.5 cents a share.

Group sales rose 5.7 per cent to A$176m in the latest six months, but instalment credit sales declined 1.7 per cent, while cash and other forms of credit sales rose 10.8 per cent. The directors said that trading was more buoyant in December and January than the earlier four months and this trend had continued into the current half.

UIC shares valued above bid

BY GEORGIE LEE IN SINGAPORE

MORGAN GRENFELL ASIA, the independent advisers to shareholders of United Industrial Corporation (UIC) in the current takeover battle, has valued the UIC shares at between S$5.88 and S$7.15 (U.S.$3.19). This is substantially higher than the S$4.00 per share offered by United Industrial Overseas Holdings (UIOH), and the competing offer of S$4.50 per share made by the Hong Kong company, Hang Lung Developments.

Morgan Grenfell said that the value within the range is dependent upon the treatment of the potential tax liability on the surplus arising from the revaluation of the portion of UIC Building which is owned by UIC's subsidiary, UIC Development.

The merchant bank said that the price of S$5.88 reflects the value after allowing for the full 40 per cent potential tax liability on a sale of the 66 per cent of UIC Building, owned by UIC Development, while the figure of S$7.15 allows for no potential tax liability.

Morgan Grenfell disclosed that a valuation of UIC's share of the building by property valuers, Jones Lang Wootton, who were commissioned to do the valuation in February this year, showed a figure of S$83.59m (US$37.3m). This is considerably higher than the book value of S$26.3m as at July last year. UIC Building is located in the heart of Singapore's central business district.

Morgan Grenfell Asia has thus advised shareholders against accepting the offer by UIOH, a company controlled by Mr. Chwang Wan Lien, who is also the managing director of UIC.

Mr. Lee Kim Yew, the chairman of UIC, and two other directors of UIC, collectively controlling 13.1 per cent, have also recommended shareholders not to accept the offer.

Morgan Grenfell has not commented on the offer by the Hang Lung development group as the formal offer has not yet been made. Hang Lung announced its intention to make a conditional offer for the UIC shares only on March 14.

Earnings rise sharply at City Developments

BY OUR SINGAPORE CORRESPONDENT

CITY DEVELOPMENTS, the Singapore property developer, has reported its best ever performance. For the year ended October 1979, group pre-tax profit rose eight-fold to S$7.44m (U.S.$3.3m), while at the post tax level, group profit was S$5.15m, or 18 times the 1978 figure. The tax charge was up three and a half times, at S$2.29m.

With the record profit, City Developments is to pay a first and final gross dividend of 10 per cent—its first dividend payment since 1975.

The source of the improvement was the City Plaza project, City's largest ever property development. City Developments said that 90 per cent of the commercial space available for sale in City Plaza, which is located in Geylang, one of Singapore's major suburbs, have already been taken up.

Its five-storey podium block, consisting of shop units and a car park, is expected to be ready in the third quarter of this year, while the residential portion comprising 11 floors with 66 apartments is expected to be completed by mid-1981, and will be put on sale soon.

MAN sure of Danish agreement

By Roger Boyes in Bonn

THE West German commercial vehicles and engineering group MAN said yesterday that it was sure agreement could be reached with the Danish workforce over the controversial purchase of Burmeister and Wein's half-share in B and W Diesel.

However, MAN was at pains to stress that no decision had been reached on the Danish Government's proposals to form a Danish consortium to buy the 49.75 per cent stake in B & W Diesel. MAN already has a 49.75

MAN said that it had "understanding" for the fears of the Danish workforce but felt that the good co-operation of the past three months would continue. Workers at two of the B & W Diesel plants walked out earlier this month to protest against the proposed sale.

The MAN statement clearly leaves its options open. It has been satisfied with the joint work in Denmark and the Diesel engine concern fits well into its overall strategy. But it may well feel that with half of B & W Diesel in the hands of a consortium in which unions and government are represented, its room for manoeuvre would be too limited.

MAN's right of first refusal to the shares threatens to block the "national solution" announced this week by Mr. Erling Jensen, the Danish Industry Minister.

First operating profit for Statoil

By Fay Gjester in Oslo

STATOIL, the Norwegian state oil company founded in 1972, had an operating profit of NKr 13m ($2.5m) last year, compared with an operating loss of NKr 97m in 1978. It was the company's first ever operating profit, and the net result, after financial costs and depreciation, was a loss of NKr 217m, against a loss of NKr 194m in 1978. The company, however, expects to balance its accounts this year.

Statoil is still spending heavily on development (investments last year totalled NKr 2,850m) but has now begun to reap the results. Last year, production started on the giant Anglo - Norwegian Statfjord field, in which Statoil has a 44.4 per cent share.

Turnover—from sales of crude oil, petrochemicals and refined products — reached NKr 3,255m ($640m), 63 per cent up on a year earlier.

From January 1, Statoil increased its stake in Norol, a refining and marketing company, from 15 per cent to 73.63 per cent and from now on the two will be operated as one concern. Their combined turnover this year is expected to reach NKr 10bn, rising to NKr 17bn in 1984.

Conti-Gummi misses payout

By Our Financial Staff

OPERATING profits at Continental Gummi-Werke have been insufficient to pay a dividend for 1979, Mr. Carl Hahn, the management board chairman, said. Conti-Gummi last paid a dividend in 1971.

The tyre-making division has returned to profits for the first time since 1971. But the year's results were achieved largely as a result of favourable market conditions, Mr. Hahn stressed.

Economic conditions in 1980 will not be as favourable as in 1979, he said, adding that "setbacks" will have to be taken into account in the first years of the present decade.

What defines the young 'high flyer' of today?

BY MICHAEL DIXON

A PANG of nostalgia was evoked this week by the latest Reward salary survey. Regular readers may remember that, until its recent change to an entirely new basis, Reward was the source of the Jobs Column's thrice-yearly managerial salary indicators (whether and, if so, how best to reintroduce ths service. I haven't yet decided). But that was not the cause of the nostalgia.

What jerked the old heart strings was the effective disclosure by Peter Brown, the publisher of Reward, that in 1963 he was picked out for interviewing by a researcher into motivation, as a "high flyer." The definition of a high flyer in those days, be recalls, was somebody on a salary of at least £2,000 a year at the age of 30.

And it showed, I can tell you. As a low flyer I was occasionally unable to avoid such eagles as they swooped down from the sky. They usually found some way to apprise you of the opulence of their superiority within two minutes of first meeting.

The question that Mr. Brown poses is what salary must someone be earning at the age of 30 nowadays to qualify for the title of high flyer?

Since 1963 the retail price index has increased 4.6 times, he says, "indicating an equivalent 1980 purchasing power of £9,200, and the index of average national wage rates has risen 5.5 times—resulting in an approximate salary of £11,000 being necessary to maintain the statistical earnings differential."

But the evidence of the Reward survey and others persuades bim that neither of those figures is big enough to denote a company worker who truly deserves the name of bigh flyer today.

Modern, corporate 30-year-olds who merit the title, Peter Brown believes, are "earning £12,000 or close to it, and almost certainly enjoy the benefit of a stylish company car." But he suspects that, in return, they will be flapping around on company business for 80 hours a week.

Perhaps he should now find out what proportion of such creatures still deserve the title at the age of 40. I suspect that, in the interim, a good many just fly round in diminishing circles until they disappear.

Publishing

SINCE the lower age limit for today's first job is 27, it constitutes a chance for someone to fulfil Mr. Brown's criterion.

The post is for a director of editorial services, and is offered by Jane Rose, of Gold Helm Executive Appointments, on behalf of a client whom she may not name. So—like the other recruitment consultants to be mentioned later — she promises to abide by any applicant's request not to be identified to the employer until specific permission is given.

Based in the West of England, the company employs about 35 people in providing a specialised information service to subscribers. "Since about 97 per cent of the people who take out subscriptions keep them up, I'd say the business was very successful," says Ms Rose. "But the chairman clearly won't be satisfied with anything less than 105 per cent."

The newcomer will report to the said chairman (who is also the founder), and have charge of about ten staff. Some of these provide library and research services to the company in general. But the recruit's main responsibility is the profitable running and expansion of publications including weekly and fortnightly newsletters, and brochures and pamphlets.

Copious experience of the production side of journalism or other facets of publishing subject to tight and tense deadlines, is plainly required. But candidates will not fill the bill unless they have managed the business side of a publishing operation, with particular emphasis on financial control and marketing. An informed interest in things mechanical, especially cars, is also desired.

Since it would be rara for someone under 30 to have the required experience, the company would equally welcome candidates who are older. The salary will be up to £15,000 or thereabouts; other benefits are negotiable.

Inquiries to Jane Rose at 26 Queen Square, Bath BA1 2HX; telephone 0225 330311.

Bulk order

LASTLY — before the Jobs Column takes a break until April 15—to a bulk order from the Grosvenor Stewart recruitmen consultancy.

The opening opening, so to speak, is for someone aged 30 to 35 with a recognised accountancy qualification and demonstrably successful subsequent experience of financial management in a big international concern. The job in question is with a world-wide group in the security business and carries responsibility for the financial control of the several subsidiaries in Europe. There will be frequent visits to these from the base in Paris.

Candidates should have fluent French and English, preferably plus knowledge of German, as well as a record showing ability to take top-level charge of financial operations ranging from internal audit to negotiation with major banks.

The salary indicator is 200,000 French francs (about £20,888 at current exchange rates); other benefits are for discussion. Inquiries about this post to Stuart Adamson at Hamilton House, 15 Tilehouse Street, Hitchin, Herts; telephone 0462 55303, telex 25102 Chacom G.

Meanwhile, in another office at the same address Mr. Adamson's fellow director, John Fulford, is rubbing his chin thoughtfully over his need to fill two jobs.

One is for a managing director, based in the United Kingdom, but exercising world-wide responsibility for a medical equipment group. Candidates should already be of at least general manager rank in a health-care business and preferably have first-hand knowledge of marketing, financial management and production. Age could be anywhere between 35 and 50. The salary indicator is £20,000-£25,000.

Tha other need is for a sales and marketing manager fit to lead the international development of a company providing distinctly expensive leisure and marine services. Candidates require success in sales management of a service-industry business such as a travel or insurance concern. An experienced sailor would have an advantage. Salary indicator roughly £10,000; bonus and prospect of equity share. Age not specified.

From yet another office at Grosvenor Stewart's Hitchin headquarters, Dr. John Padbury is looking for a general sales manager to work in southern England for the subsidiary of an international group concerned with *electronic equipment* for medical use. Responsibility covers other countries as well as the UK, so candidates should have experience of international sales, preferably in the same or an associated field. Salary £12,000-£15,000.

If, on the other hand, you would prefer to be a senior sales manager with the British subsidiary of a European concern making and marketing decorative laminates and the like, you will need to inquire at one of Grosvenor Stewart's other addresses. It is Norfolk House, 187, High Street, Guildford, Surrey; tel. 0483 70666.

There Roger Bryant is waiting to bear from people interested in the post who can demonstrate success in sales activity in building supplies, kitchen furnishings, and so on. The main task is to build up the group's British business from its present modest size. Salary around £15,000; plus "impressiva" bonus and car.

Investment Analysis

Financial Institution — Edinburgh

This leading financial institution with a wide spread of investments is to appoint a high calibre individual to have responsibility for overseas markets, in particular the United States. Tha person appointed will be responsible for all share and market analysis in the overseas sectors and will be expected to recommend and implement policy changes in the international funds. Candidates, male or female, will be aged 30 or over and be graduates or have a professionel business qualification. They will have at least five years' experience of ordinary share analysis in United Kingdom and United States markets and should have pleyed some role eithar directly or indirectly in fund managamant. In particuler an in-depth knowledge of the United States markete is looked for. Personal qualities ere important and tha ability to bring forward new ideas together with a well developed sense of initiative. Salary is negotiable to an attractive level end other benefits include house purchase facilities and an ettractive pension plan.

(PA Personnel Services Ref: PF45/7281/FT)

Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or writa for an application form, quoting the reference number on both your lettar and anvelope, and advise us if you have recently mede any other applications to PA Personnel Services.

PA Personnel Services

Hobart House, 80 Hanover Street, Edinburgh EH2 1EL Telephone: 031-225 4481. Telex: 72556

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ABU DHABI INVESTMENT AUTHORITY

The Abu Dhabi Investment Authority has the following vecancles in its Bond end Equity Department.

FUND MANAGER (NORTH AMERICAN SECTION)

The Fund Manager should be over 30 years old end should have obtained a professional qualification. He must have had at least five yeers practical experience in anelysing securities and experience in managing a balanced portfolio composed of either North American securities end/or intemetionel ones. Emphasis should be on strategic analysis and planning. Ref. 1035/FT

INVESTMENT ANALYSTS (THE FAR EASTERN AND EUROPEAN SECTIONS)

Cendidates should have obtained e professionel qualification end must have had at least three years practical experience in anelysing equities internetionally or in any of the two mentioned areas. Ref. 1036/FT

SYSTEMS ANALYST/PROGRAMMER

The candidate should heve gained a degree or H.N.D. with some computing content or possibly substantial practical experience. He should be fully conversant in programming in the BASIC language. He should be under 28 years of age and have *gained experience* in *an accounting* or *research function which* involved the use of programming and mini-computers. Ideally he would have been involved in investment accounting and/or investment research department. Ref. 1037/FT

Candidates must be prepared to live in Abu Dhabi. The contract will be for a minimum of two years, renewable thereafter. Salary will be free of tax in Abu Dhabi. Free accommodation, transport and medical facilities will be provided.

Please write or telephone for an application form, quoting the particular reference number, to W. L. Tait,

Touche Ross & Co., Management Consultants

Hill House, 1 Little New Street, London EC4A 3TR
Tel: 01-353 8011 ext. 3185

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Digital Equipment is a success story! We are the world's leading minicomputer manufacturer. Our European operations are located in 15 European countries with a total revenue of $468 million and an average yearly growth of over 30% during the past 5 years. Our European Headquarters, which has been located in Geneva for 11 years. Our Finance and Administration department provides a vital support and we now need a Financial Services Manager—Europe.

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You need a strong academic background with emphasis in international finance, investment evaluation end planning as well as a minimum of 3 years' experience with Corporate Banking with the Finance/Treasury department of a multinational corporation, or with an international consulting firm.

We believe that this position offers excellent carear opportunities as we continue to expand our activities across Europe. We are offering an attractive salary and fringe benefits are all that you would expect from a major international organisation.

Please write full details of your background and career to date to: Nigel Allen, Treasury Department, Digital Equipment Corporation International (Europe), 12 avenue des Morgines, Case Postale 510, 1213 Petit-Lancy, Ganeva, Switzerland. Telephone: 010 4122933311, Ext. 2603. Please quote ref. 733.

digital

Taxation Manager

£8,714-£10,894*

The Post Office is seeking a Taxation Manager to take charge of all matters relating to its taxation liabilities. The immediate need is to determine the taxation implications arising from the Government's decision that the Post Office should be divided into two seperate Corporations responsible for (i) Postal and National Girobank services and (ii) Telecommunications. Thereafter there will be a continuing need for taxation advice to the Postal/Girobank Corporation, which will continua to be known as The Post Office.

The post, which is open to both men and women, will be based in tha Postal Headquarters unit in Chesterfield, Derbyshire. The job holder will be responsible to tha Accounts Head of Section, and will initially be required to examine existing taxation legislation and case law in its application to the reorganised Post Office and to establish how they will be applied after Reorganisation. In particular, he/she must determine, in conjunction with the Inland Revenue and Customs and Excise Departments —

- ☐ the form and manner of tax computations for Posts end National Girobank and The Post Office as e whole, and the records which will be required to support these calculations;
- ☐ the treatment of VAT;
- ☐ The extent of allowable current account expenditure, including the treatment of interest on loan finance and income tax on interest payments;
- ☐ the computation of taxable profits for National Girobank;
- ☐ capital allowances.

The job holder will also be required, on a continuing basis, to assist the management of tha Post Office Corporation by —

- ☐ advising on the taxation consequences of financial decisions (including investment strategy);
- ☐ forecasting taxation liabilities within the Post Office;
- ☐ advising on the impact of proposed and new taxation legislation and case law, and representing the Corporation's views as necessary;
- ☐ taking responsibility for the annual corporation tax computations and agreeing them with the Inland Revenue Department;
- ☐ advising on tha treatment of taxation liability as between the two businesses of the Corporation;
- ☐ co-ordinating Schedule E matters and dealing with associated problems relating to expenses and benefits in kind;
- ☐ liaising with other departments in tha Corporation on the interaction between development land tax and other corporation tax matters.

QUALIFICATIONS

Candidates must possess a detailed and up-to-date knowledge of taxation legislation and case law, and be able to demonstrate their ability to manage a taxation unit and to negotiate with the various UK tax authorities. Tha successful applicant will have had several years experience of the practical application of taxation law to corporate businesses. Previous experience of setting up/reorganising tha taxation function in such a business would be valuable.

The starting salary will be within the range quoted. There is a generous leave allowance and contributory pension scheme.

Applications forms from PP1.1.2 (Mrs. J. Sutton), Room 329, Postal Headquarters St. Martin's-le-Grand, LONDON EC1A 1HQ. (Tel: 01-432 4732). Applications must be received within 4 weeks from the date of this advertisement.

*New salary scales, with effect from 1.4.80, are currently being negotiated.

The Post Office
Postal Headquarters

GROUP FINANCIAL ACCOUNTING

£8,000–£11,000

International Scope

A major British group with wide UK and overseas activities has an interesting vacancy for a well-qualified chartered accountant to join their head quarters staff.

Reporting at board level, work involves financial accounting for the UK and overseas subsidiary and associate companies. There will be detailed liaison with divisional financial directors and controllers to meet accounting timetables, discuss improvements to accounting procedures and achieve consistency in the measurement of profitability and the presentation of results throughout the group. Responsibilities will include, the preparation of the group summary financial accounts on a monthly basis, and for consolidating results, forecasts, budgets and review submissions.

This position could be structured for candidates either:– a) aged around 25 with two or three years' post-qualifying experience with a major audit firm in the area of consolidations, or with some industrial/commercial experience and now seeking a broader base. Salary: c. £8,000, or b):– aged up to 30 with substantial experience including international consolidations and financial accounting who are seeking career development opportunities. After two or three years this would enable a move to a more senior head quarters position or a line controllership in an operating division. Salary c. £11,000.

All candidates should be well educated, ideally with a degree, and be able to display an imaginative accounting approach combined with the temperament to handle a certain amount of regular routine work. Technical expertise in financial accounting, particularly of consolidation work, is as important as the ability to maintain and develop relationships at senior level with corporate and divisional colleagues. The skill to analyse, summarise and present reviews verbally and in writing, is necessary as is the detailed understanding of real information underlying basic data.

Previous entrants in the financial area of this group have found the work stimulating, demanding and very worthwhile and have been able to take advantage of promotion and development opportunities as they arose. The usual benefits are offered, including relocation to a pleasant Southern Home Counties town.

Candidates, male or female, should send a detailed career history to Giles Foy who is advising on this appointment, quoting reference C31/FT.

JWT Recruitment Ltd
Executive Recruitment & Selection
40 Berkeley Square London W1X 6AD. 01-629 9496

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Let us help you increase your potential. For a confidential discussion, Call: Christopher O. Stock, FICB, Banking and Accountancy Personnel Selection, 01-481 8111.

MANAGEMENT CONSULTANTS

Five Figure Salary, plus
International Compensation Package

SRI International (formerly known as the Stanford Research Institute) wishes to appoint several additional members to its European staff. SRI is a unique, independent, not-for-profit organisation performing research and consulting for clients in government and business. Worldwide it employs 3,500 people.

Successful applicants will have a challenging career opportunity in a broad range of assignments throughout Europe. These will include advising top management on computer management and strategy, assessing new technology and applications and recommending solutions to existing operational problems.

Candidates should have the following background:

- Graduate or Qualified Accountant
- Substantial EDP experience in either Banking/Finance or Manufacturing
- Good communication and analytic skills
- Demonstrable ability to interface effectively at all organisational levels
- In-depth knowledge of current computer systems and technology
- Fluency in English and at least one other European language
- Line Management Experience

Please send a comprehensive CV and salary history to:
Mrs. Kay Stephensmith
SRI International, NLA Tower
12/16 Addiscombe Road Croydon CR0 0XT

SRI International

Financial Controller

£17,700 — **Saudi Arabia**

For a company of an established international group engaged in transportation, construction, and allied activities, and now in a phase of continued planned expansion. A qualified Accountant is required whose responsibilities will include the accounting function, financial aspects of contracts, dealing with banks, government departments, legal and administrative matters, and periodic reporting to Group H.Q. Benefits include excellent free accommodation, food, utilities, a car and generous leave. An open ended married or single status contract will be negotiated.

Applications in confidence to Gerald Brown (Ref. 6493).

mh Mervyn Hughes Group
2/3 Cursitor Street, London EC4A 1NE
Management Recruitment Consultants
01-404 5801

Young Qualified Accountant

London based — *up to £12,000+Car*

Our client, a leading American Corporation with subsidiaries in the UK, France and Germany seeks a young, qualified accountant who wishes to follow a career in a company committed to internal promotion amongst long serving staff.

Primarily concerned with the manufacture of motor vehicle components, the Corporation finds its future financial managers from the internal eudit function, where a broad knowledge of the business is obtained, enabling promotion to a line position to follow.

Following induction training et the parent HQ in the United States, the successful candidate will be based in London and will travel extensively in Europe on internal audit assignments, acquisition work and special projects. Qualified accountants, up to tha age of 30, who are fluent in French can expect to be considered for promotion to line management within a period of two years and will find this a rewarding appointment in a progressive company.

Salary will be up to £12,000 p.a. dependent upon age and experience and a car and the usual benefits are provided.

Candidates should write in confidence for a personal history form quoting reference MCS/3825 to Ken Johnson, Executive Selection Division, Southwark Towers, 32 London Bridge Street, London SE1 9SY.

Price Waterhouse Associates

EQUITY PARTNERSHIP

A prominent London firm of solicitors is seeking a Litigation Partner, capable of making a major contribution to the management and development of a substantial Department, as well as handling commercial litigation at the highest level. The successful applicant will probably be between the ages of 40 and 50. The partnership is expected to yield an income of not less than £30,000 per annum.

Please apply to: Reference 35/DR,
Moore Stephens International Ltd.
St Paul's House
Warwick Lane
London EC4P 4BN
Naming any company to whom you do not wish to apply.

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CHIEF F.X. DEALER	c.£14,000
SENIOR F.X. DEALER	£10,000+
CHIEF ACCOUNTANT	£14,000
COMPANY SECRETARY	£13,000
ACCOUNTS (int'l bank experience)	£6-8,000
INTERNAL AUDIT MANAGER	c.£12,000
INSTITUTIONAL BOND SALES (Paris)	£15,000
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BOND SETTLEMENTS	c.£5,500

For further details of these and other opportunities, please contact Ken Anderson or Richard Meredith.

First floor—entrance New Street
170 Bishopsgate London EC2M 4LX 01-623 1266

Manager Business Accounting

Buckinghamshire **c. £12,000**

Our client, a subsidiary of a large international group, has a turnover in excess of £27 milliou and employs 500. Market position, technical proficiency and finaocial strength are well founded.

Responsibility involves managing a team ol qualified accountants and other staff, developing and introducing accounting systems and ensuring financial information and controls are readily and meaningfully available to other senior members of management. In this key position you will be an innovator and participate in other business developments. Size, challenge and opportunity abound in what is a highly competitive and stimulating eovironment.

Candidates, male or female, preferably with a degree and an accounting qualification should have a record of proven managerial success in a commercial enviroomentand the necessary personal qualities lo work with senior colleagues.

Please write in complete confidence, enclosing a suitably detailed curriculum vitae to:
ANTHONY NEVILE INTERNATIONAL
London Dubai Singapore Tokyo Los Angeles
Ash House, Churt, Farnham, Surrey, GU10 2NU.
Headley Down (0428) 712313/714493.

Management Accounting

S. London **c.£12,500 + car**

A first class British retail distributive group with a ten figure turnover and excellent growth record seeks an Assistant Chief Accountant. This post carries responsibility for the provision of financial and management accounting information and associated reporting, including the preparation of periodic managemeot accounts, statutory accounts, fixed asset control and cash management, with EDP support.

Candidates should be qualified accountants with at least five years relevant experience of a large and sophisticated industrial or commercial reporting and control function. The personality and capacity appropriate to main board contact are essential.

For a fuller job description write in confidence to A. R. D. MacDonell, at 78 Wigmore Street. London W1H 9DQ. showing clearly how you meet these requirements, quoting 5016/FT. Both men and women may apply.

John Courtis and Partners

APPOINTMENTS ADVERTISING
Rate £19.50
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Chief Internal Auditor

Riyadh, Saudi Arabia

A Saudi Arabian Government agency specialising in financing industrial and electrical utility projects within the Kingdom seeks to fill this new position, reporting to the Director General, created as a result of the increasing sophistication of accounting, financial, management and control systems.

Candidates, with a CA or CPA qualification from the UK, USA or Canada, must have at least five years' post qualification experience either with an international firm of accountants or as a manager of internal audit for a substantial, financially related organisation. He should be well versed in computer audit, and will be expected to establish an effective on-the-job training programme for junior staff. Previous overseas experience, particularly in the Middle East, would be an advantage. Competence, initiative and maturity are essential personal characteristics.

2-year contract – renewal based on performance – attractive base salary (indicator £15,000 to £18,000) • performance and end of contract bonuses • furnished accommodation • generous leave arrangements • education assistance • leased car • excellent recreation facilities.

Please telephone (01-629 1844 at any time) or write – in confidence – in the first instance for a personal history form. B. G. Woodrow ref. B.1617.

MSL middle east
Management Selection Limited
International Management Consultants
17 Stratton Street London W1X 6DB

GROUP CHIEF ACCOUNTANT

Central London **c.£13,000 + car + benefits**

Our client, a major U.K. based quoted company with substantial international interests, is concerned with trading, metal-processing and numerous related industrial activities.

Reporting to the Group Financial Controller, the successful candidate will control the preparation of the complex Group consolidation in conformity with Institute and statutory requirements. Other responsibilities will include the preparation of detailed monthly results and annual budgets. There will be direct contact with and some travel to operating subsidiaries.

Candidates, aged 28-33, will be chartered accountants who have experience with a major practice. A subsequent period at the centre of an international group operation is considered preferable and it is essential that candidates possess advanced technical expertise. Personal presence and the ability to work in a challenging corporate environment are important.

The salary for this appointment is negotiable around the figure indicated.

For further information and a personal history form, please contact Nigel V. Smith A.C.A. or Liam Fitzpatrick A.C.M.A., 410 Strand, London WC2R 0NS, tel: 01-836 9501, quoting reference no. 2824.

DOUGLAS LLAMBIAS DLA
Douglas Llambias Associates Ltd.
Accountancy and Management Recruitment Consultants
and at 26 West Nile Street, Glasgow G1 2PF (041-226 3101)
3 Coates Place, Edinburgh EH3 7AA (031-225 7744)

Financial Director

From £20,000 plus car

Later this year a public group will appoint a financial director to its board. Location Southern England.

Responsibility will be for the entire financial function. He or she should be a chartered accountant working as a director of an engineering or manufacturing subsidiary. However, others with a strong track record will be considered.

Applicants should be aged 35, or over, with a resilient and down to earth approach to financial problem solving over the next few years of economic change.

Ideal candidates will be seeking a real challenge in their first major board appointment. A salary of about £20,000 is unlikely to be a limiting factor. A car and other benefits are provided. The removal expenses will be paid.

Please telephone or write, in confidence, for an application form quoting reference 1501.

Roland Orr
Management Consultant
35 Piccadilly, London W1V 9PB. Telephone: 01-734 7282.

Chief Accountant

c.£9,500 + Car ***Surrey***

An internationally successful company, manufacturing and marketing a specialised range of fast-moving consumer goods, is looking for a young but mature Chief Accountant to join them at their Surrey headquarters.

Supported by a staff of 26 which includes financial, export and cost accountants, the Chief Accountant is responsible to the Financial Director for the effective running of a Finance Department and for ensuring financial control is maintained through timely and accurate preparation of management reports and accounts within the agreed departmental budget. He/she will also be required to meet the reporting parameters of the parent company in both statutory and fiscal areas. Currently, the department is increasing its use of computer and micro-film applications to ensure a more efficient working environment.

Essentially, our client is looking for a man or woman around 30 years of age with good financial/management accounting experience who has an entrepreneurial attitude to work and the personality plus man-management ability to motivate a department working to tight deadlines. Previous manufacturing experience is desirable and, ideally, this should have been gained in a consumer goods environment.

As a key figure in the financial management operations of the company, the ability to relate to people at all levels and to communicate effectively with other managers in all disciplines, is of the utmost importance.

The company is part of a major international group making this an exceptional career move for an ambitious youog accountant looking for promotional prospects. A generous benefits package will be offered including BUPA and relocation expenses, where appropriate.

Please apply with personal and career details to Position No. AEC 227, Austin Knight Limited, 66a High Street, Egham, Surrey. TW20 9EY.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Position Number Supervisor.

Austin Knight Advertising AK EGHAM

CHIEF ACCOUNTANT

CITY **c. £11,000 p.a.**

A major firm of City Solicitors wishes to recruit a qualified accountant (A.C.A., A.C.C.A. or A.C.M.A.) to be responsible to the Head of Finance for the firm's accounts department and its staff of nine.

The successful candidate will be responsible for the day-to-day running of all operations of the department including DP, the preparation of monthly reports/management accounts and annual accounts and for assisting in the development of systems which are based on IBM computer hardware.

Candidates should be mature and experienced accountants, with an awareness of the particular concepts of partnership accounting. The salary is negotiable around £11,000 per annum plus pension scheme and other benefits, and the firm has excellent working conditions in modern offices.

Applicants, male or female, should write in complete confidence giving full details of previous experience and current salary to:

WALTER JUDD LIMITED (Ref: L259)
(Incorporated Practitioners in Advertising),
1a Bow Lane, London EC4M 9EJ

GROUP ACCOUNTANT

LONDON

The Tioxide Group is one of the world's leading manufacturers of titanium dioxide with a turnover approaching £200 million per annum and employing 4,500 personnel in subsidiary companies in the U.K. and five overseas countries. The Group Headquarters of this international manufacturing and marketing organisation is locared in London's West End.

We now require a Group Management Accountant reporting directly to the Group Financial Controller. The post demands a knowledge of international financial and management accounting and corporate taxation. Experience of budgetary control and the evaluation of capital investment projects is essential. To assist in the financial control of the Group, data processing methods are used extensively and a sound knowledge of computer applications for financial planning and project evaluation would be desirable. The Group Management Accountant would be expected to oversee input for control and planning purposes. Close liaison would have to be maintained with senior management across the Group and with business schools and other outside commercial and industrial sources.

Candidates must be qualified Accountants, probably in their early thirties, and have now achieved a five-figure salary. They should be energetic and free-thinking executives who have had at least five years' business experience, preferably with an organisation operating internationally.

The post commands an attractive salary, a non-contributory pension and life assurance scheme and other benefits associated with a large industrial group. Relocation expenses, etc. where necessary will be met by the Company.

Applicants, male or female, should write for further information quoting reference C109 on both letter and envelope, and giving brief details of age, qualifications and experience to: The Group Personnel Manager, Tioxide International Ltd., 10 Stratton Street, London. W1A 4XP.

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U.S. Equity Sales

Dillon, Read & Co. Inc. has recently established an independent research group specialising in high technology companies and wishes to strengthen its equity sales team in London.

The individual we are seeking will have a proven record of selling high quality research and will be responsible for servicing institutional accounts in the U.K. and Europe.

Write to Herbert Oakes:

Dillon, Read Overseas Corporation,
10 Chesterfield Street, London W1X 7HF

Audit Manager

up to £10,000

Based at the Engineering Industry Training Board's offices at Watford

The Job
(1) to manage and develop the Internal Audit function covering the Board's extensive activities
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(3) to examine and report on new systems and the implementation of new policies.

We seak a qualifiad Accountant with a sound professional background, including EDP audit axperience, and the ability to achieve the co-operation of managerial colleagues.

A salary of up to £10,000 per annum is offered with good conditions including membership of a first class pension scheme.

Write or telephone for an application form to:
Mr. E. T. G. Shuldham Senior Personnel Officer
Engineering Industry Training Board
41 Clarendon Road, Watford WD1 1HS.
Tel: Watford 44322

E I T B

BERMUDA

On behalf of our principals, we now wish to recruit the following personnel:—

Financial Analyst
c. $25,000 p.a. tax free
Age: 25/35 flexible
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$30,000 p.a. tax free
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Ref: 44788

Accounts Executive
$24,000 p.a. tax free
Age: 25/32 flexible
ACA, single, extrovert, computer exp. useful
Ref: 44792

Internal Auditor (ACA)
$24,000 p.a. tax free
Age: 25/32 years
Pref, single insurance experience useful
Ref: 44787

Please apply in strictest confidence:

IPS GROUP
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F.X. SETTLEMENTS

Age 28-40 c. £10,000

A prominent and rapidly expanding International Bank seeks to appoint a capable and ambitious Banker with extensive settlements experience to take charge of the complete back-up facility. A minimum of five years' exposure in this area is an essential prerequisite and the successful candidate will be capable of fulfilling an important managerial role within a bank having significant future expansion plans.

A wide range of benefits augments the basic salary, which is freely negotiable around the above figure.

For more details of the above positions and the many more we are currently handling, please telephone, in the stictest confidence, Mark Stevens, General Manager.

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RECENTLY FORMED INTERNATIONAL COMMUNICATIONS ORGANISATION

This vacancy is open to candidates, aged 30-45, who have acquired at least seven years' practical journalistic experience (some of which will have been writing on technical subjects) and preferably they will have acquired knowledge in international communications and/or in maritime communications. Reporting to the Director General, responsibilities will cover all aspects of public relations, liaising with the technical press and media world-wide, preparing literature, writing articles, preparing speeches with the object of making all potential users in the shipping and offshore industries fully aware of the unique benefits provided by the organisation in better, clearer and faster modern maritime communications. Some overseas travel will be necessary. The successful candidate will be expected to make a significant contribution to the development of the organisation's activities world-wide, and assisting member organisations with their public relations on a national and regional basis. Initial salary negotiable, £9,500-£17,000, net of tax, plus contributory pension, family B.U.P.A., assistance with removal expenses if necessary. Applications in strict confidence under reference TPRO12115/FT, will be forwarded unopened to our Client, unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager.

A demanding appointment with opportunity for promotion within finance or general management

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BERKSHIRE **£13,000 — 14,000 + CAR**

RAPIDLY EXPANDING CONSUMER MANUFACTURING COMPANY NOTED FOR ITS MODERN MANAGEMENT METHODS T/O £100 MILLION+

Applications are invited from qualified accountants, possibly with an M.B.A., aged 27-32, with 4/5 years' post-qualification experience and a fast track record in profit-conscious and successful companies. The successful man or woman must have commercial acumen, be prepared to work in a challenging and pressurised environment and be capable of making a significant contribution to the company's success. Heading up a team of qualified accountants, your responsibility will be the management of all aspects of the company's balance sheet, including cash and asset control, investment appraisal, treasury and tax matters and budgetary control to tight deadlines. Initial salary negotiable, £13,000-£14,000 + car, contributory pension, free life assurance, assistance with removal expenses where necessary. Applications in strict confidence under reference ACM12174/FT, will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED
35 NEW BROAD STREET, LONDON EC2M 1NH

Corporate Cash Management

International Banking

Bank of America NT and SA, the world's largest international bank, is seeking an experienced professional to join a City-based project team responsible for designing and marketing international cash management services for major clients throughout the Bank's Europe, Middle East and Africa Division.

Applicants, graduates aged 25-35, must be experienced in the application of a broad range of cash management services, either as a representative of a major international bank, or as a member of a corporate treasury staff. A knowledge of languages would be an asset.

Excellent career opportunities exist in the Bank's international operations. Salary will be commensurate with qualifications and experience, and fringe benefits are in line with best international banking practice.

Write in strictest confidence with full personal, career and salary details to A. J. Tucker, Recruitment Officer, Bank of America NT & SA, 25 Cannon Street, LONDON, EC4P 4HN.

BANK OF AMERICA

Oil

E.D.P. Audit c£12,500

Our client, a major multi-national oil company, has an impressive record in growth and diversification. The company is committed to an extensive investment programme in the latest computer technology.

The successful candidate, likely to be a Chartered Accountant and between twenty-five and thirty-five, will lead a team of U.S. specialists and European D.P. staff. 30%-40% travel is envisaged. Four main computer centres together with smaller operating units will form the main area of concentration. There will be a growing role in participation at various stages of systems development.

In addition to the salary there is a comprehensive benefits package. A substantial career development programme is an important feature of this position which is designed to lead to a range of management opportunities.

Applicants, male or female, should apply in strictest confidence with career details to: Kevin Keating Gresham Executive Appointments, 6th Floor, Imperial Buildings, 56 Kingsway, London WC2B 6TJ. Telephone: 01-242 6251/4

Gresham
Executive Appointments

Capital Investment Appraisal

Engineering Industry

Substantial five figure salary+car

Our client, a major engineering group, has embarked on an extremely ambitious investment programme, both in the UK and abroad. A key manager is now required to take staff and functional control of the investment appraisal departments.

Working at the corporate headquarters, the new manager will have functional control of investment departments located within operating divisions. Total staff responsibility will be for six high-level specialists plus, indirectly, twenty people within divisional departments.

We would like to discuss this key role with candidates who have experience of investment appraisal within the engineering industry. (Banking experience is seen not to be relevant in this case). A wide generalist background would be helpful plus potential for further career progression. Candidates must be good communicators as the new manager will be dealing at Board level. We will wish to see evidence of high analytical ability plus managerial skill.

The position is located in Northern England.

To apply, either send a curriculum vitae, or phone for an application form quoting reference 1A/G. At this stage all approaches will be treated in the strictest confidence. This position is open to both men and women.

Cambridge Recruitment Consultants
1a Rose Crescent, Cambridge CB2 3LL. Telephone: (0223) 311316

Queen's Counsel

M. Tempte, M.A. (Oxon)
51, 25 years' practice in Anglo-French system, fluent English and French, seeks post with international law firm or in legal department of firm in France, Switzerland, UK, Benelux.
Write Box G5560, Financial Times 10 Cannon Street, EC4P 4BY

GROUP CHIEF ACCOUNTANT

A major U.K. company, located in the North West, wishes to recruit a person of exceptional ability and with good experience as its Group Chief Accountant.

Candidates should be qualified accountants, aged between 35 and 45, and have had experience at a senior level in the accounting department of a major group. They should also have had experience in budgeting and in the monitoring of the performance of subsidiaries.

The remuneration and other benefits will be substantial and will not prove a bar to the recruitment of the selected candidate.

Please reply in the first instance to:—

WALTER JUDD LIMITED (Ref: L257),
(Incorporated Practitioners in Advertising),
1a Bow Lane, London EC4M 9EJ.

indicating the names of any companies to whom you do not wish your reply to be sent. If the list includes the company involved, your application will be destroyed.

Corporate Controller

Consumer goods **£15,000 + car**

This rapidly growing UK subsidiary of an American company requires a qualified accountant who, in addition to first-class financial expertise, will provide a major contribution to the general management of the business. The wide range of high-quality personal and home care products are marketed in volume at low unit cost. The successful applicant will report to the Managing Director and be responsible for the financial, EDP and commercial administration departments. Expansion will demand skilful management of existing systems and the ability to plan, design and implement developments to meet forecast growth. Candidates, probably in their early 30s, must have a proven record of achievement in management, have worked with computerised management information systems and ideally be familiar with American reporting requirements and treasury matters. Experience in high-volume distribution of consumer goods and a business qualification would be advantageous. The employment package includes a non-contributory pension scheme, BUPA and relocation assistance to Buckinghamshire.

Ref: AA56:7283/FT

Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or write for an application form, quoting the reference number on both your letter and envelope, and advise us if you have recently made any other applications to PA Personnel Services.

PA Personnel Services
Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 Telex: 27874

PA
A member of PA International

ISTANBUL FINANCIAL CONTROLLER

Aged 30-40 **Can. $40,000-$50,000+Benefits**

Our client is the subsidiary company of a major Canadian Group which is a world market leader in an advanced technological field. Worldwide turnover is approximately $2,000m and the operations in Turkey yield nearly $100m.

The Financial Controller will be responsible for all aspects of accounting and financial control and will also play a significant part in the commercial and general management of the company. Candidates should be qualified accountants, probably aged 30-40, with previous financial management experience in an industrial company. The appointment also demands the ability and maturity to perform successfully in an overseas subsidiary environment.

The position has traditionally led to promotion to a senior management appointment in North America.

For detailed information and an application form, please contact Tony Forsyth B.Sc. or Ronald Vaughan F.C.M.A., 410 Strand, London WC2R 0NS, tel: 01-836 9501, quoting reference 2819.

DOUGLAS LLAMBIAS
Douglas Llambias Associates Ltd.
Accountancy and Management Recruitment Consultants
and at 26 West Nile Street, Glasgow G1 2PF (041-226 3101)
3 Coates Place, Edinburgh EH3 7AA (031-225 7744)

DLA

Credit and Marketing Officer

Africa Division — Major US Bank

Our client, based in London, is the International Division of a major U.S. bank.

We are seeking a Graduate with at least five years' banking experience including recent experience in business development in Africa. Knowledge of Government lending, trade financing and negotiation of loan documentation is essential. Strong credit skills plus ability to make an articulate political and economic analysis will be required.

Candidates are likely to be aged 28-35, fluent in French and free to travel for about 25% of the year. Base salary is negotiable at about £12,000 plus normal fringe benefits.

Please send full details to:
Tim Neame, Korn/Ferry International
2/4 King Street, St. James's
London SW1Y 6QL

KORN/FERRY INTERNATIONAL

FINANCE DIRECTOR AND CONTROLLER

£13,000 + CAR

This job is a key new appointment to help a world leader in micro-based audio visual and lighting control systems move into higher gear after a solid record of profitable expansions.

An A.C.A., C.A. or A.C.M.A. with first-rate experience in management information systems and practical accounting with a view to profit will be asked to propose and implement a new D.P. system including stock and production control, as well as carrying full corporate responsibility under the M.D. for all the other functions of a group finance director.

You will join a small, highly competent team and make a unique contribution to the future of a most interesting British company with excellent financial backing and international involvement. (Current T/O approximately £6m.)

Please apply in writing to Ian Simpson, Managing Director, Electrosonic Limited, 815 Woolwich Road, London SE7 8LT.

Commercial Banking in the U.K.

Business Development Executive

Manchester based **£11,000**

A major foreign commercial bank, with a long-established UK arm in London, is seeking to expand in the North of England from its branch office in Manchester and requires a Business Development Executive to spearhead this operation.

Candidates must have had a number of years' experience in commercial banking or a finance house and have a good working knowledge of lending to a broad spectrum of the business sector.

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CURRENCIES, MONEY and GOLD

Pound steady

There was hardly any reaction at all to yesterday's UK budget in trading yesterday, with the market still influenced to a great extent by the performance of the dollar. Trading was thin for most of the day, and there was little intervention by central banks. Sterling's trade weighted index rose to 72.9 from 72.7, but probably failed to reflect the pound's late decline as demand for the dollar increased. Against the dollar it opened at $2.2025 and reached a best level of $2.2060, before coming back to $2.2025 by noon. As U.S. centres entered the market so sterling came on offer, and this created a little nervousness in very thin trading so that sterling closed at $2.1955-2.1965, more than a cent below its best level for the day but higher than Tuesday's close of $2.1905-2.1915.

The dollar opened around its weakest level of the day but slowly improved to finish at the top of the day's range. However, it still showed a slight loss from Tuesday's levels. Against the D-mark it eased to DM 1.8925 from DM 1.8955 and SwFr 1.7925 against SwFr 1.7940 in terms of the Swiss franc. The yen was hardly changed at Y249 against Y249.05 previously. On Bank of England figures, the dollar's trade weighted index fell to 89.5 from 89.7.

D-MARK — Slightly weaker within the European Monetary System recently and also weaker against the dollar, following higher interest rates in the U.S. —The D-mark was slightly weaker overall in Frankfurt yesterday as speculation subsided over a possible increase in interest rates after today's Bundesbank meeting. The dollar improved from early levels to be fixed at DM 1.8902, lower than Tuesday's level of DM 1.8944, but up from an opening figure of DM 1.8847. There were no detectable signs of any intervention by the Bundesbank either inside or outside the fixing. Sterling rose to DM 4.1570 from DM 4.1530, and the Belgian franc was higher at DM 6.209 per BFr 100 from DM 6.202. The French franc was firmer at DM 43.105 per FFr 100 against DM 43.08, while the Swiss franc eased to DM 1.0557 from DM 1.0589.

BELGIAN FRANC — Weakest member of the EMS despite recent rises in interest rates, but showing signs of improvement—The franc was firmer against most major currencies at yesterday's fixing in Brussels. The authorities recent efforts to stem currency outflows by increasing interest rates appears to have shown some dividends at last, and this was underlined when the Belgian National Bank indicated that it had spent only BFr 2bn in support operations in the previous week compared with BFr 20bn the week before. So far this week they have spent nothing in support operations, and pressure on the Belgian franc within the EMS seems to have abated for the time being. The dollar fell to BFr 30.45 from BFr 30.54, and the D-mark was weaker at BFr 16.1045 from BFr 16.1225. Even sterling, which has been very strong recently, showed a fall to BFr 66.9775 from BFr 66.995.

JAPANESE YEN—Energy problems reflected in sharp decline last year, which after a slight pause has been renewed, resulting in a support package and heavy central bank intervention —The yen lost ground against the dollar in Tokyo yesterday, having shown a firmer tendency in early trading. The dollar was weaker initially on the settlement of export bills brought into the market, and touched a low of Y248.8 before recovering during the afternoon to close at a high for the day of Y249.075, against Tuesday's close of Y248.90. The Bank of Japan was reported to have sold $30m in an effort to stem the rise.

THE POUND SPOT AND FORWARD

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.1940-2.2065	2.1955-2.1965	0.25-0.15c pm	1.09	0.18-0.28dis	−0.42
Canada	2.6005-2.6225	2.6010-2.6020	0.95-0.85c pm	4.15	2.20-2.10 pm	3.30
Nethlnd.	4.53½-4.67½	4.54½-4.55½	3¼-2⅛ pm	7.58	8¾-7¾ pm	0.92
Belgium	66.75-67.10	66.90-66.90	8c pm-2 dis	0.54	20-16 pm	6.90
Denmark	12.96½-13.02½	12.97-12.98	1½-2⅞ore dis	−2.02	7½-8⅞ dis	−2.52
Ireland	1.1120-1.1166	1.1135-1.1145	0.10-0.05p pm	6.81	6.25-0.19 pm	0.79
W. Ger.	4.14-4.17½	4.15½-4.16½	3¾-2⅝pf pm	9.38	9¾-8¾ pm	8.54
Portugal	110.60-111.70	110.70-110.90	par-30 dis	−1.62	21-100 dis	−2.18
Spain	154.95-156.15	155.00-155.10	10-65c dis	−0.21	155-205 dis	−4.64
Italy	1,928-1,934	1,928½-1,929½	2½-½ lire pm	0.93	3½-5½ dis	−0.93
Norway	11.15-11.21	11.15½-11.16½	3⅝-2⅞ore pm	0.56	10-8¾ pm	0.34
France	9.63½-0.67½	9.64-9.65	4-3c pm	4.35	11-10 pm	4.35
Sweden	0.64½-9.68½	9.65½-9.66½	0¾-5ore pm	5.68	13-12 pm	0.17
Japan	543-550	546½-547½	1.55-1.30y pm	3.13	4 20-3.90 pm	2.86
Austria	29.65-29.83	29.72-29.77	21-17gro pm	7.66	65-60 pm	8.40
Switz.	3.92-3.95½	3.93½-3.94½	4½-3½c pm	12.18	11¼-10¼ pm	10.91

Belgian rate is for convertible francs. Financial franc 68.00-69.16. Six-month forward dollar 0.52-0.62c dis. 12-month 0.20-0.20c dis.

THE DOLLAR SPOT AND FORWARD

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.1940-2.2065	2.1955-2.1963	0.25-0.15c pm	1.09	0.18-0.28dis	−0.42
Ireland†	1.9735-1.9760	1.9735-1.8750	0.50-0.40c pm	2.73	0.20-0.10 pm	0.30
Canada	1.1865-1.1905	1.1865-1.1868	0.41-0.36c pm	3.89	1.28-1.20 pm	4.17
Nethlnd.	2.0640-2.0726	2.0695-2.0705	1.11-1.04c pm	6.22	3.92-3.82 pm	7.47
Belgium	30.37-30.43	30.43-30.45	1c pm-½ dis	0.16	12-9 pm	1.38
Denmark	5.9010-5.9125	5.9110-5.9125	1.60-2.10ore dis	−3.78	3.30-3.80dis	−2.40
W. Ger.	1.8825-1.8940	1.8920-1.8930	1.31-1.27pf pm	7.39	4.33-4.23 pm	9.05
Portugal	50.40-50.30	50.40-50.50	4-18c dis	−2.62	5 pm-40 dis	−1.39
Spain	70.60-70.76	70.72-70.76	20-35c dis	−4.66	60-80 dis	−3.96
Italy	878.20-879.00	878.25-878.65	0.3-0.8 lire dis	−0.75	1.00-1.50dis	−6.57
Norway	0.0755-3.0885	3.0870-5.0880	1.75-1.25ore pm	0.54	5.75-5.25 pm	4.33
France	4.3775-4.3930	4.3910-4.3930	1.85-1.75c pm	4.92	3.60-3.40 pm	6.111
Sweden	4.3980-4.3995	4.3985-4.3996	1.10-0.90ore pm	2.73	5.00-4.80 pm	6.50
Japan	248.60-249.20	248.95-249.05	0.50-0.35y pm	2.05	2.15-2.00 pm	3.33
Austria	13.50-13.54¾	13.53¾-13.54¾	7.90-7.10gro pm	6.64	30.50-28.00pm	9.64
Switz.	1.7830-1.7940	1.7920-1.7930	1.83-1.76c pm	12.02	5.34-5.27 pm	11.84

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY RATES

Mar. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	17	0.676429	0.600927
U.S. $	10	1.26331	1.35163
Canadian $	14	1.50700	1.58357
Austria Sch	6¾	17.1243	18.6702
Belgian F	14	38.3613	66.6147
Danish K	13	7.48311	7.88523
D'Mark	7	8.39321	8.31984
Guilder	9½	2.61821	2.75847
French Fr.	9½	6.63372	3.85092
Lira	15	1113.89	1173.17
Yen	9	314.945	531.310
Norwgn. Kr.	9	0.44736	6.78738
Spanish Pts	8	89.5792	94.2128
Swedish Kr.	16	3.36640	3.83917
Swiss Fr.	5	2.29138	2.37962

CURRENCY MOVEMENTS

Mar. 26	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.9	−33.0
U.S. dollar	89.6	−4.1
Canadian dollar	80.8	−17.7
Austrian schilling	132.4	+23.7
Belgian franc	115.8	+13.3
Danish kroner	163.0	−3.3
Deutsche mark	152.4	+43.1
Swiss franc	189.5	+73.7
Guilder	124.3	+19.3
French franc	99.8	−9.3
Lira	63.5	−56.3
Yen	116.6	+13.4

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER CURRENCIES

Mar. 26	£	$		£ Note Rates
Argentina Peso	3010-3830	1736-1743	Austria	29.60-99.85
Australia Dollar	2.0233-2.0276	6.9195-0.9200	Belgium	68.75-99.23
Brazil Cruzeiro	102.26-103.26	46.60-46.86	Denmark	12.94-13.68
Finland Markka	8.42-9.44	3.8316-5.8336	France	9.59-9.85
Greek Drachma	89.125-91.228	40.40-40.60	Germany	4.14½-4.17
Hong Kong Dollar	11.13¼-11.16¼	3.6650-3.0680	Italy	1916-1973
Iran Rial	n/a	n/a	Japan	547-562
Kuwait Dinar(KD)	0.662-0.612	0.2754-0.2755	Netherlands	4.35-4.03½
Luxembourg Frc.	66.80-66.90	30.43-30.45	Norway	11.14-11.98
Malaysia Dollar	4.9476-4.9373	2.2506-2.2326	Portugal	167-111
New Zealand Dlr.	2.3155-2.3865	1.6320-1.0650	Spain	1501½-1581¼
Saudi Arab. Riyal	7.31-7.41	3.3285-3.3306	Sweden	9.65-0.71
Singapore Dollar	4.9230-4.9330	2.2400-2.2426	Switzerland	3.92½-3.94
Sth. African Rand	1.7736-1.7765	0.8085-6.8096	United States	2.195-2.205
U.A.E. Dirham	8.18-8.28	0.7555-3.7073	Yugoslavia	06-32

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.7897	40.5887	+2.01	+1.65	±4.08
Danish Krone	7.72335	7.87595	+1.98	+1.03	±1.668
German D-Mark	2.48208	2.52225	+1.62	+6.67	±1.53
French Franc	3.84700	3.85168	+6.08	−6.87	±1.64
Dutch Guilder	2.74362	2.76098	+0.63	−6.32	±1.125
Irish Punt	0.668201	0.674633	+6.96	+6.01	±1.3657
Italian Lira	1157.79	1170.34	+1.08	+6.64	±1.512

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Mar. 20	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.126	4.158	547.0	9.545	3.940	4.550	1929.	2.608	69.85
U.S. Dollar	0.456	1.	1.895	249.1	4.392	1.794	2.072	878.4	1.185	30.44
Deutschemark	0.241	0.528	1.	131.6	2.320	9.949	1.094	464.0	9.926	16.68
Japanese Yen 1,000	1.888	4.015	7.601	1000.	17.96	7.203	8.018	0027.	4.756	128.2
French Franc 10	1.037	2.277	4.311	967.1	10.	4.080	4.717	2000.	2.697	69.31
Swiss Franc	0.254	0.537	1.055	138.8	2.448	1.	1.165	489.6	0.660	16.07
Dutch Guilder	6.226	0.483	9.914	120.2	2.120	9.866	1.	424.0	0.972	14.69
Italian Lire, 1,000	6.518	1.138	2.155	283.6	5.000	2.043	2.359	1000.	1.349	34.66
Canadian Dollar	0.384	0.844	1.598	210.3	3.707	1.319	1.749	741.6	1.	23.70
Belgian Franc 100	1.406	3.285	9.219	818.2	14.45	0.894	6.806	2886.	3.892	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.50-17.60 per cent; three-months 18.60-18.70 per cent; six-months 18.65-18.75 per cent; one year 17.40-17.50 per cent.

Mar. 28	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	17½-17¾	14¼-14½	8½-9½	9⅝-9⅞	2⅛-2⅜	8⅛-8⅝	18¾-15	12-14	—	13¼-13¾
7 days' notice	17¾-18	10-13¼	8⅛-9⅛	16-10¼	4¾-3¼	9⅝-8¾	12⅞-13⅛	13-16½	16⅛-16¼	14¼-14¾
Month	18-18¼	18¾-17	12⅞-13¼	16¼-10½	5⅛-5⅛	0⅞-9	13½-15¾	16¾-17⅛	17⅛-17⅛	14⅝-14⅞
Three months	18¾-19	18¾-19	14⅛-15	16⅛-11⅛	7-7⅛	9⅛-9⅛	14⅛-14⅝	18¾-19¾	19⅛-19⅛	19⅝-16⅝
Six months	18⅝-18⅛	19¾-19	13⅛-16⅛	11⅛-11¼	7⅛-7⅝	9⅛-16	14⅜-14⅞	19¼-26¼	19-10⅛	14⅞-13⅛
One year	17⅝-17⅞	17½-17¾	14¾-15⅛	12⅞-12⅝	7⅛-7¼	9⅞-10⅛	14⅞-16⅛	81-22	17⅛-17⅛	13½-15¾

Long-term Eurodollar two years 15⅞-18 per cent; three years 15¾-15½ per cent; four years 15-15¾ per cent; five years 14⅞-13 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two days' notice. Asian rates are closing rates in Singapore.

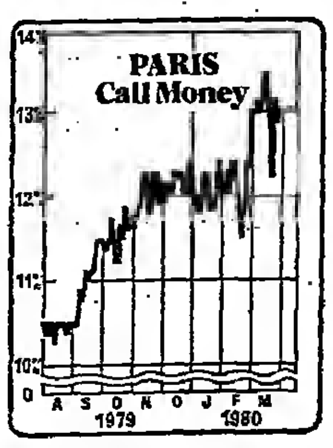
INTERNATIONAL MONEY MARKET

European rates steady

European short-term interest rates showed little change yesterday, with call money in Frankfurt unchanged at 8.55-8.65 per cent. The D-mark was slightly firmer in the foreign exchange market yesterday, and was not supported by the Bundesbank at the Frankfurt fixing. In the week ended March 23 German monetary reserves fell by DM 2bn to DM 77.9bn (£18.77bn) reflecting Bundesbank intervention to assist the D-mark. Net reserves rose DM 600m the previous week, but have fallen by DM 11.2bn since the beginning of the year. Period rates were also steady in the Frankfurt money market yesterday, and Paris interest rates showed little change.

French call money was unchanged at 13 per cent, and one-month and three-month money was steady, but six-month and 12-month funds moved up by ⅛ per cent.

In Tokyo the Industrial Bank of Japan has raised the country's long term prime lending rate by 0.7 per cent to 9.5 per cent from April 1. April issues of five year bank debentures will carry a coupon of 8.6 per cent, also an increase of 0.7 per cent. These issues will be placed on the market tomorrow. The rises follow the increase in the central bank discount rate by 1.75 per cent to 9 per cent last week.



MONEY RATES

NEW YORK

Prime Rate	19
Fed. Funds	17⅞-18¼
Treasury Bills (13-week)	16.06
Treasury Bills (26-week)	10.56

GERMANY

Discount Rate	7
Overnight Rate	8.60
One month	0.15
Three months	9.75
Six months	10.10

FRANCE

Discount Rate	8.5
Overnight Rate	13
One month	13.4375
Three months	13.9375
Six months	14

JAPAN

Discount Rate	9
Call (Unconditional)	12.1875
Bills Discount (three-month)	13.8125

UK MONEY MARKET

Large help

Bank of England Minimum Lending rate 17 per cent (since November 15, 1979)

Day-to-day credit was in short supply in the London money market yesterday, and the authorities gave large assistance by buying a small amount of Treasury bills from the discount houses and banks, a small number of local authority bills from the houses and a moderate amount of eligible bank bills. Some of the local authority bills and all the bank bills will be resold to the houses at fixed future dates. The help was completed by lending a small amount overnight to one or two houses at Minimum Lending Rate.

Interest payments on gilt edged stock contributed to a large excess of Government disbursements over revenue payments to the Exchequer.

This was outweighed by small run-down balances brought forward by the banks, repayment of the large amount lent to the market on Tuesday, and resale of a large number of eligible bank bills to the market.

Discount houses paid 17 per cent for secured call loans in the morning, and closing balances were taken at 16-17 per cent.

In the interbank market overnight loans opened at 17¼-17¾ per cent, declining to 16 per cent at the close.

Rates in the table below are nominal in some cases.

GOLD

Further fall

Gold fell $33 an ounce in the London bullion market yesterday to close at $505-510. The metal opened at $533-538 and rose to a high of $534-539 but failed to hold this level and eased back to $525 at the morning fixing. By the afternoon fixing it had fallen further to $507.50 and sank to a low of $495-500, before recovering slightly towards the close.

In Frankfurt gold finished at $505-510 per ounce compared with $537-542 on Tuesday, while in Zurich it closed at $500-505, down from the previous level of $540-545.

	Mar. 26		Mar. 25	
Gold Bullion (fine ounce)				
Close	$505-910	(£229½-232)	$558-540	(£246-247½)
Opening	$533-638	(£242-244½)	$043-548	(£247½-250)
Morning fixing	$525	(£258,184)	$548.00	(£260,011)
Afternoon fixing	$507.50	(£230,315)	$547.25	(£240,090)
Gold Coins				
Krugerrand	$520-525	(£236-239)	$550-555	(£250-253)
Mapleleaf	$513-526	(£234-239)	$540-560	(£246-231)
New Sovereigns	$128-131	(£58-60)	$135-138	(£61½-65½)
King Sovs	$148-152	(£67-69)	$163-156	(£69¾-71½)
Victoria Sovs	$148-152	(£67-69)	$164-167	(£70-72)
French 20s	$126-129		$128½-131½	
50 pesos Mexico	$654-684		$658-668	
100 Cor. Austria	$522-030		$528-539	
$20 Eagles	$640-650		$660-670	
$10 Eagles	—		—	
$5 Eagles	—		—	

LONDON MONEY RATES

Mar. 20 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	10-17¼	—	—	—	17¼-17½	16-17	—	—	—
2 days notice	—	—	18¼-18⅛	—	—	—	—	—	—	—
7 days or...	—	—	—	—	—	—	—	—	—	—
7 days notice	—	17¾-18	18¼-16⅛	—	18¼	18-18⅜	16⅞-17	—	—	—
One month	18-17⅞	17⅞-18⅛	18¼-18⅛	19-18⅝	18¼	18⅜-18⅛	16¾	16⅞	17¼	18¼
Two months	18-17¼	17⅞-18⅛	—	19-18⅝	18⅜	—	16⅝-16¾	16⅞-16⅞	17⅞	18⅛
Three months	18-17⅞	17⅞-18⅛	18⅛-16⅛	18⅛-18	18⅝	18½	16⅝-16¾	16⅛	17⅜	17⅝
Six months	17½-17⅞	17⅞-17⅞	18⅛-18⅛	18-17½	18	18¼	—	—	18⅜-16⅞	16⅞
Nine months	17-10⅞	17-17¾	—	17¾-17⅜	17½	—	—	—	—	—
One Year	16⅞-16⅞	16⅞-17⅛	17¾-17⅞	17¼-17	17¼	—	—	—	—	—
Two years	—	—	17⅛-17⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice others seven days fixed. *Long-term local authority mortgage rates nominally three years 18⅜-16½ per cent; four years 16-16¼ per cent; five years 13⅞-16⅞ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 17⅞-17¾ per cent; four-month trade bills 17⅝ per cent.

Approximate selling rates for one-month Treasury bills 15⅞ per cent; two-month 16-16⅛ per cent; three-months 16⅛-10¼ per cent. Approximate selling rates for one-month bank bills 17⅝ per cent; two-months 17⅞ per cent; three-months 17¾ per cent; one-month trade bills 18 per cent; two-months 17⅞ per cent; and three-months 17⅝ per cent.

Finance House Base Rates (published by the Finance Houses Association) 18 per cent from March 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 15 per cent. Clearing Bank Rates for lending 17 per cent. Treasury Bills: Average tender rates of discount 16.2074 per cent.

Dow rallies 6 in early trade

RECOVERING a portion of the ground lost over the past month, Wall Street steadily improved in fairly active early dealings yesterday.

The Dow Jones Industrial Average regained 6.06 to 773.89 at noon, while the NYSE All Common Index rallied 57 cents to $56.82 and advances outscored declines by a nine-to-four ratio. Turnover slowed to 19.96m shares from the previous day's mid-day volume of 25.54m.

Hildegard Zagorski, of Bache Halsey Stuart Shields said, "the market was so oversold that we were really due for a fairly good-sized technical rally."

White House Press Secretary Jody Powell stated that anti-inflation Budget spending cuts would be significantly more than the $13bn proposed initially. Other officials said they could run to $16bn. Treasury Secretary Miller said interest rates should ease as the year progresses.

Active Boeing, which has won the air-launched cruise missile contract, eased ⅛ to $55⅞ after rising nearly four points on Tuesday. General Dynamics, which vied with Boeing for the contract, receded 1⅜ to $66⅞.

Avco reported sharply higher fiscal first-quarter net earnings and rose $1 to $20⅞.

Cessna Aircraft lost $2⅛ to $15⅛. It is to shut down some production lines, laying off 1,500 workers temporarily and another 800 indefinitely.

The Pharmaceuticals group firmed. Active Pfizer climbed $1⅜ to $33⅞, Eli Lilly $⅝ to $47⅛, Smithkline $1⅜ to $47¾ and Johnson and Johnson $1 to $67⅞.

Volume leader Federated Department Stores were unchanged at $21⅞. A block of 681,000 shares were traded at $21⅞. Du Pont were unchanged at $34. A block of 100,000 shares were moved at $34.

THE AMERICAN SE Market Value Index recovered 1.83 to 238.96 at noon on reduced volume of 2.02m shares (3.54m).

Canada

Stock prices were firmer-inclined at mid-session yesterday after a fair business, reversing the recent downtrend. The Toronto Composite Index retrieved 5.2 to 1,825.0 at noon, while Oil and Gas picked up 12.5 to 4,020.9 and Metals and Minerals 8.6 to 1,854.0, but Golds shed 4.1 more to 2,935.1. In Montreal, Banks improved 0.63 to 295.07, but Utilities were 0.57 lower at 239.41.

Hudson's Bay Oil, C$113, Texaco Canada, C$81, and Dome Petroleum, C$64⅜, each rose a point.

Tokyo

After Tuesday's easier showing, shares closed with mixed movements yesterday following a fairly active trade, with buying interest for selective issues given a boost by an easing of margin trading controls.

The Nikkei-Dow Jones Average edged up 4.62 to 6,535.88 and the Tokyo S.E. index hardened 0.50 to 454.17. Gains slightly led declines on the First Market section by 317 to 313 after volume of 370m shares (280m).

Steels, Shipbuildings, Machine Tools, Precision Instruments and Chemicals gained ground, but Petroleums and Non-ferrous Metals retreated.

Tokuyama Soda, a leading manufacturer of caustic soda and chemicals, advanced Y41 to Y3[illegible] on speculative buying generated by news that it is developing technology to extract uranium from sea water jointly with two other companies, Kanto Denka Kogyo and Asahi Chemical, up Y10 at Y205.

Kawasaki Steel rose Y7 to Y135 and Hitachi Shipbuilding Y4 to Y169, but Nippon Oil receded Y80 to Y2,110, Nippon Yusen Y4 to Y307, Teikoku Oil Y20 to Y1,060 and Hitachi Y7 to Y243.

Honda Motor reacted Y17 to Y553 and Sony Y10 to Y1,710, but Yamaha Motor gained Y14 to Y855 and Olympus Y16 to Y710.

Australia

Further falls in world commodity prices and some increases in local interest rates put pressure on stocks in all market groups initially. Near the end of the day, buyers started to edge back into the market, although declines still predominated at the close. The Sydney All Ordinaries index finished a net 3.78 lower at 774.02 and the Metals and Minerals index lost 52.06 at 4,680.44.

Recovering from early losses, BHP ended unchanged on balance at A$11.50, CSR a net 2 cents up at A$4.70, and Bank NSW 5 cents harder on the day at A$2.90.

However, the overnight fall in the Gold market left Gold shares under pressure, Emperor receding 10 cents to A$1.50 and Bougainville 15 cents to A$3.25.

Elsewhere in Minings, MIM lost 15 cents to A$4.00 and North Broken Hill 10 cents to A$2.90. Associated Minerals traded 30 cents lower at A$2.50 and Uranium and Gold issue Pancontinental fell 40 cents to A$5.70.

In Oils, a lack of fresh news on the Cuttapirrie oil strikes in South Australia saw Santos shed 20 cents to A$6.10, but its project partner Western Mining gained 10 cents to A$4.00.

Megellan Oil receded 30 cents to A$3, Woodside 6 cents to A$1.58 and Lennard Oil 10 cents to A$1.20.

Bundaberg Sugar, however, rose 20 cents to A$8.60.

Germany

Bourse prices were inclined to improve a little in light trading on technical influences after recent weakness. The Commerzbank index picked up 2.1 from Tuesday's new 1980 low to close at 675.1.

Dresdner Bank gained DM 1.20 to DM 175.00 ahead of its supervisory Board meeting later that afternoon, where an unchanged 1979 dividend of DM 9 is the expected outcome. Deutsche Bank, however, shed 40 pfennigs.

Conti-Gummi closed unchanged at DM 44.10 following largely anticipated news that 1979 operating profits do not suffice to pay a dividend.

RWE, in Utilities, advanced DM 3, while Daimler-Benz, in Motors, put on DM 2, Brown Boveri, in Electricals, DM 1.30, and Schering, in Chemicals, DM 2.

Public Authority Bonds tended easier, but Mark Eurobonds were little changed.

Hong Kong

Stocks traded quietly and uncertainty on continuing fears of higher interest rates in the U.S. and Hong Kong, although many leaders managed to halt their recent slide and close unchanged to firmer. The Hang Seng index picked up 4.83 to 762.96.

Market operators see a possible rise in U.S. Prime Rate to 20 per cent this weekend, prompting a rise in Hong Kong's Prime, although not necessarily this weekend due to the relative firmer showing of the local currency.

HK Land rallied 30 cents to HK$10.30, SHK Properties 40 cents to HK$16.70 and Hutchison Whampoa 10 cents to HK$7.20, while HK Bank, HK$21.30, and Jardine Matheson, HK$13.80, both closed unaltered.

Johannesburg

Gold shares closed mainly easier in line with the weaker Bullion price, but selective Mining issues and Financials firmed on expectations of concessions being announced in the South African Budget later that day.

Vaal Reefs and Harmony shed 50 cents apiece to R59.75 and R20.25 respectively, but President Brand put on 50 cents to 37.50. Anglos added 20 cents at R13.40 among Mining Financials.

In a mixed Platinum sector, Rusplat fell 15 cents to R5.15 despite improved results. Industrials were mixed with a firmer bias.

Closing prices for North America were not available for this edition.

COMMODITIES AND AGRICULTURE

World soyabean surplus up

BUENOS AIRES — World surplus of Soyabean supply over demand in the 1979-80 season will rise to 18.8m tonnes from 9.1m in the previous season, the Argentine Grain Board said in its latest bulletin.

The board said world production is estimated at 95.1m to give total availability of 104.2m. World demand is estimated at 85.4m tonnes, of which producing countries will use 59.2m, leaving 26.2m for export.

The Grain Board estimated the current domestic soyabean crop at around 4m tonnes, although lack of rainfall at the time of late crop sowings could reduce this.

In Washington it was announced that the Commodity Credit Corporation's offer to sell contract rights covering Soyabeans embargoed from shipment to the Soviet Union will be made on a regular basis until the 71,000 tonnes are moved back into the market.

Howard Hjort, the U.S. department of Agriculture's chief economist, said the offer to sell the contracts will depend on what prices are offered. If prices are not right, we will not accept the bids. We have no interest in disrupting the market," he declared.

The first offering to purchase the contract rights is due to be held today.

Reuter

Brazil coffee exports moving

BRAZIL'S coffee exports will return to their normal flow through the port of Santos by April 5.

The port, which is responsible for 45 per cent of all Brazil's export shipments, was paralysed for five days last week by a dockers' strike. By March 21, 2.2m bags of coffee had accumulated in Santos, exhausting the port's storage facilities, and even with the return to work the following day the situation remained critical.

The Santos dockers are now working from 7 am till midnight to clear the port, and according to the Brazilian Coffee Institute. There should be only 150,000 bags of coffee marked for export in March still in the port by the end of the month.

The IBC is expected to open the export registries for June at the beginning of April, and exporters are presently active on the Sao Paulo Commodities Exchange, where prices this week have reached Cr 5580 (£55) for May

Metals group in liquidation

BY DAVID LASCELLES IN NEW YORK

A NEW YORK metals trading house, NRT Metals, is to go into voluntary liquidation, apparently a victim of the recent collapse in precious metals prices.

This was confirmed yesterday by Mr. Michael Cameron, president of NRT, at the company's headquarters in Fifth Avenue, Manhattan.

NRT first became a member of the New York Commodity Exchange (COMEX) in January 1975, where it dealt in many metals, but mainly silver. The company also had close links with members of the London Metal Exchange. Mr. Cameron, a Briton, was previously a trader on the LME.

The extent of NRT's losses was not immediately ascertainable. However, NRT is associated with the Banque Lambert in Brussels, raising questions as to how the bank will react to the proposed liquidation.

NRT's failure has had wide repercussions in the U.S. metals markets. A trader at one of the country's largest commodities houses commented: "This has been very painful for us. It's a very sensitive matter and we are watching it closely."

NRT's difficulties evidently stemmed from the collapse in silver prices. After reaching nearly $50 an ounce on some futures contracts early this year, world silver prices plummeted more than $20 in the past month.

Our Commodities Editor writes: It is believed that several London Metal Exchange dealers are involved and some may be facing significant losses. They were encouraged to give credit facilities by the fact that Banque Lambert has a substantial stake in NRT Metals, believed to total 40 per cent when all interests are put together.

Although Maclaine Watson, a ring dealing member of the Exchange, is a subsidiary of the Drexel Burnham Lambert group, it is understood NRT Metals in accordance with normal metals trade practice spread its trading business among several other ring-dealing member companies too.

● Copper prices fell again on the London Metal Exchange yesterday. Cash wirebars closed £30.5 lower at £965 a tonne.

The decline was influenced by the easier trend in New York, especially when Comex opened yesterday afternoon, and the continued fall in gold prices.

Silver was also lower. So was tin, influenced by a sharp fall in the Penang market overnight.

Cocoa talks delayed

BY JOHN EDWARDS, COMMODITIES EDITOR

SERIOUS TALKS on extending the international cocoa agreement due to start in London yesterday were delayed until today as a result of the late arrival of delegates from the leading producing countries from their meeting in the Ivory Coast.

The International Cocoa Organisation council met only briefly yesterday morning and then adjourned until today.

Meanwhile consumers held separate talks to see if they could work out a common position on a minimum support price, as well as their reaction to the producers' proposals formulated at the Ivory Coast meeting this week.

Consumers are reported to be somewhat reluctant to agree to the producers' plan for extending the Agreement without economic clauses, while at the same time withdrawing the accumulated buffer stock fund of over $210m. There is little incentive to co-operate in preserving the Agreement when the producers plan to use the buffer stock fund to boost market prices unilaterally. Today's talks should reveal whether producers are determined to insist on withdrawing the buffer stock funds and risking the end of the Agreement, in spite of the fact that it will take at least three months before the funds are available for payment to the producing countries.

Cocoa traders took a jaundiced view of the proposals by producers to stockpile surplus supplies in order to raise market prices. On the London futures market the May position lost £16.5 to £1,431.5 a tonne.

EEC sugar rebate set too low

By Our Commodities Staff

NO COMMON MARKET sugar exports were authorised by the EEC Commission at its weekly export tender yesterday. The Commission set a maximum export rebate of 10.85 European currency units per 100 kilos but this proved insufficient to attract prospective exporters.

Dealers said they thought the low rate of rebate offered reflected an allowance for the forward premium which has increased with the recent drop in nearby sugar prices. They suggested the Commission may feel a rebate based on prompt delivery prices would overcompensate for lower world market prices. But exporters evidently regard the adjustment to the rate as excessive.

On the London futures market the recent downward trend in sugar prices was reversed. The May position ended the day £12.40 higher at £235.50 a tonne. Dealers said the rise may have been influenced by the U.S. Senate finance committee's approval of legislation to implement the International Sugar Agreement.

● Cuba is seeking a 2 cents a pound increase in the International Sugar Agreement (ISA) price range of 11-21 cents a pound at this week's negotiating meeting in London, Cuban Foreign Trade Minister Ricardo Cadrisas Ruiz said.

Nickel plant hits snags

TORONTO — Inco said the production capacity of its Indonesian nickel project will be reduced significantly in the earlier years from previous estimates.

The decision to reduce capacity followed a review of the project by Inco and its P. T. International Nickel Indonesia subsidiary.

Inco said it was expected that when operating at capacity the project's annual production would average about 100m lbs of nickel contained in matte over the first 10 years and about 80m lbs over the next 10.

Since August 1976, a series of mechanical and technical problems first encountered during start-up have substantially delayed the project's scheduled production. In 1979, production reached only 19m pounds of nickel contained in matte.

WOOL

Working out the stock/price equation

BY A CORRESPONDENT

WOOL PRICES have been more restrained than those of most other raw materials during a period when the commodities market has in some quarters shown signs of madness. Wool's need has been to keep ahead of or keep up with inflation, rather than aspire to the heights reached by materials for which there are no substitutes.

Over the past decade, wool values have risen less than half as much as the cost of living in the main producing countries. In the first half of 1979, Australia, the world's largest exporter, recorded prices at sales that made the season's income the highest since the legendary levels of 1951, when the world went on a post-war restocking spree.

Over a recent two-year period, Britain was paying less than 5 per cent more than before for Australian wool while producers' costs had risen by almost twice that figure.

Six months ago, when the season's wool auctions in Australia began, there was speculation whether last season's price levels could be sustained, given that the Australian Wool Corporation had cut the country's 1m-bale stockpile by two-thirds and that large reserves of wool had moved from producer to user.

Availability of wool was seen to be the crucial factor. Since then its importance has been further underlined by the three-months storemen's strike in Australia.

With the dispute now settled and a return to selling imminent, the question arises of whether restraint will be maintained in the face of meagre reserves at source, a lighter Australian clip and a run-down of stocks during the stoppage by consuming countries, notably Japan. There stocks are believed to be seriously depleted.

AS AUSTRALIAN wool sales got underway again yesterday following the 10-week interruption caused by the wool-handlers' strike prices showed sharp falls from the pre-strike levels. Merino fleeces were 2.5 per cent cheaper at the Albany and Portland auctions, 3.5 per cent down at Adelaide and up to 7 per cent down at Brisbane.

Weaker demand was also evident in relatively low level of trade purchases, which ranged from 74 per cent of the offering at Albany to 83.5 per cent at Adelaide and Portland. As usual Japan and Eastern and Western Europe were the main buyers.

Before the strike opening prices were well above the closing levels of the previous season, with Australian greasy wool returns being 19 per cent up. Even in the lull of late November and early December, values remained buoyant.

Nor does the long-term picture suggest that they will resume where they left off. Demand for wool is such that from 1978 to 1979 the fibre's share of the Italian textile market, for example, rose from 20 to 22 per cent while synthetics fell from 58 to 52 per cent. From July to November last, Britain, which the season before had bought 3 per cent of the Australian clip, took 9.25m kg, or 4 per cent.

The adequacy of wool stocks in the UK means that getting into step again at Australian sales should not unduly exacerbate the problem of cost about which has concerned Yorkshire buyers lately. Although purchases from Australia have risen a little to interrupt a long-term decline, Britain is now a large buyer of New Zealand wools, particularly for carpet-making and other coarser uses, and looks to South Africa and South America for fine and medium wools that to a degree are interchangeable with Australian types.

Of indirect importance to Britain is that Australia has traditionally provided "price-leadership" on world raw wool markets.

During the strike, South Africa, the nearest alternative source of wool, has registered prices that, while high, do not reflect any sort of "cashing in." In New Zealand, values have been described as good and steady.

Last season's reduction of the Australian stockpile was hailed as an example of how the reserve price scheme works to stabilise rather than maximise returns, to help buyers as well as sellers.

Now, with no large stockpile to damp down the market as it did last season, the AWK may have to see prices rise higher than it would like as the selling season resumes.

Once, the fear would have been that this made wool less competitive with synthetics, but wool is now more competitive than its main-made rivals. The last 20 years of dogged research and promotion in consumer markets have set wool on what looks like an unassailable long-term course.

If prices tend to take off in the months ahead, it will be from a relatively low level that they do so, and will worry producers today less than it would once have done.

U.S. thumbs down to cotton agreement

BY BRIJ KHINDARIA IN GENEVA

THE U.S. the world's largest cotton producer and exporter, has told developing countries that it may refuse to attend further negotiations here to draw up an international commodity agreement for cotton.

The U.S. delegation at the talks, the fifth in a series begun four years ago, has said that it might have to consider withdrawal, if Third World cotton exporters continue to insist on having an international agreement including a reserve stock system to stabilise world cotton prices.

The farthest that the U.S. can go to meeting Third World demands is to agree to the creation of a producer-consumer forum aimed at discussing cotton industry problems and promoting certain kinds of research and development.

The feasibility of such a forum is already being studied outside the current talks by the World Bank and the United Nations' Development Programme, which have suggested the creation of a Cotton Development International. This new organisation is intended to promote research in improving agricultural productivity in cotton and helping poor country exporters to expand

Third World exporters have so far treated the proposal for a CDI with suspicion because they see it as part of a U.S. attempt to set aside permanently the creation of an international agreement which would effectively stabilise world cotton prices.

These exporters argue that, although cotton prices have risen recently in sympathy with the higher price of oil-based synthetic substitutes, producers are still finding it difficult to cover costs, because of sharp price increases for fertilisers and agricultural machinery.

In spite of their larger numbers, the developing country exporters do not carry much clout in the international cotton trade. The U.S. provides nearly 28 per cent of world exports, followed by the Soviet Union with 20 per cent.

In a meeting here last week to discuss prospects for developing the cotton industry, the U.S. supported CDI as a solution it could live with. Then, in separate negotiations this week due to end on Friday, the U.S. said that further discussion for an ICA would be futile.

The current talks are being held under auspices of the UN Conference on Trade and Development (UNCTAD), which has a programme designed to conclude ICAs for about 18 commodities including cotton.

An UNCTAD study concludes that an ICA for cotton, using a reserve stock system would be the most effective way of keeping prices within an agreed floor and ceiling.

About 14 Third World cotton producing countries, which account for 35 per cent of world exports, met in Izmir, Turkey, from March 10 to 14, to chalk out their position for this week's talks. In a declaration, they said they would consider measures of the kind acceptable to the U.S. only if such efforts were "integrated into a fully-fledged international cotton agreement."

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Weaker on the London Metal Exchange, influenced by the performance on Comex. Following Comex falls overnight, forward metal started in London at £998 and remained over £1,000 during the morning. But Comex opened lower and traded erratically so that London prices in the afternoon moved in the £984-£993 range in reasonable volume. There was some short covering and mixed trade business. The close on the Kerb was £985. Turnover 26,235 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	965.5-7	—23.7	964-5	—30.5
3 months	1002-3	—20	983-4	—26
Settlem't	987	—24	—	.....
Cathodes				
Cash	946-7	—19.5	926-8	—29
3 months	979.7	—19.5	952-60	—22
Settlem't	947	—20	—	.....
U.S. Prod	—	.....	*94-102	.....

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £985, 87, 86, three months £1,006, 4, 3, 2, 1, 1,000, 997, 96, 97, 98, 99, 98, 97, 98, 99, 1,000, 999.5, 999, 99.5, 98, 99, 1,000, 02. Cathodes, cash £947, 46, three months £977. Kerb: Wirebars, three months £1,001, 1,000, 1,000.5, 01, 1,000. Afternoon: Wirebars, three months £988, 89, 88, 87, 86, 88, 89, 90, 89, 90, 89, 88, 82, 83, 84, 85, 86, 85, 84, 85, 84, 85, 84. Cathodes, cash £928, three months £960. Kerb: Wirebars, three months £987, 86, 87, 88, 90, 91, 92, 91, 88, 89, 88, 87, 86, 87, 85, 84, 85.

TIN—Lost ground in thin trading. The East was lower overnight and although forward metal in London was steady around £7,860 in the morning it eased in the afternoon, reflecting the general trend. The supply situation eased, the contango tended to widen and price movements were accentuated by the thin trading. The close on the Kerb was £7,780. Turnover 1,110 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7820-30	—42.5	7720-40	—150
3 months	7850-60	—17.5	7780-800	—120
Settlem't	7830	—40	—	.....
Standard				
Cash	7820-30	—42.5	7720-40	—150
3 months	7845-55	—37.5	7780-90	—121
Settlem't	7850	—40	—	.....
Straits E.	†$2305	—56		.....
NewYork	—	.....		.....

Morning: Standard, cash £7,820, three months £7,855, 60, 55, 60, 55, 50, 45. Kerb: Standard, three months £7,855. Afternoon: Standard, three months £7,850, 40, 30, 30, 05, 7,800, 7,790, 80. Kerb: Standard, three months £7,770, 60, 70, 80.

LEAD—Little changed after a routine day's trading when forward metal held steady during the morning, trading up from a low of £444 and £452, but then turned easier in the afternoon, influenced by copper's weakness on Comex. The close on the Kerb was £447.5. Turnover 10,350 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	460-5	—2	467.70	—6
3 months	450-2	—2.5	446-8	+2
S'ment	465	.....	—	.....
U.S. Spot	—	.....	*50	.....

Morning: Cash £470, 80, three months £446, 45, 44, 45, 44, 45, 44, 45, 50, 52. Kerb: Three months £450, 51. Afternoon: Three months £447, 46, 45, 44, 45, 46. Kerb: Three months £448, 47.

ZINC—Easier but trading was not very active. Following lead, forward metal held steady in the morning, moving from £330 to £334, but then fell back to close on the Kerb near the day's low at £327. Turnover 5,875 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	385 7	—3	320-8	—5.5
3 months	333-4	.....	326-7	—5
S'ment	527	—3	—	.....
Primw'ts	—	.....	*39.5	.....

Morning: Cash £327, three months £331, 32, 31, 33. Kerb: Three months £334. Afternoon: Cash £327, 28, three months £332, 31, 30, 28, 27, 28, 27. Kerb: Three months £326, 27.

ALUMINIUM—Firmer although forward metal was weak in the morning and moved down from a start of £856-£860 to £841, pushed by stop-loss selling. But fresh buying was generated at the lower level and with a good demand for cash metal indicating a tightening supply situation, the price recovered to close on the Kerb at £850. Turnover 11,175 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	915-25	.....	910-20	+12.5
3 months	853-4	—9	849-51	+10.5

Morning: Cash £910, three months £847, 46, 45, 42, 41, 42, 43, 44, 48, 50, 51, 53, 55, 56, 55, 54, 53. Kerb: Three months £854. Afternoon: Three months £852, 51, 52, 53, 52, 51, 50. Kerb: Three months £851, 50, 49, 48, 47.

NICKEL—Little changed after a quiet day when forward metal started at £3,110, held around this level and closed on the Kerb at the same price. Turnover 714 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	2990-3010	—37.5	2995-3015	—12.5
3 months	3105-10	—25	3110-3120	.....

Morning: Three months £3,110, 3,100. Afternoon: Three months £3,110.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

EUROPEAN OPTIONS EXCHANGE

Series		April Vol.	April Last	July Vol.	July Last	Oct. Vol.	Oct. Last	Stock
AKZ C	F.22.50	20	0.60	—	—	1	2.50	F.22.30
AKZ C	F.25	10	0.20	7	0.70	5	1.40	"
AKZ C	F.30	—	—	5	0.10	—	—	"
AKZ P	F.22.50	—	—	4	1.30	20	1.80	"
AKZ P	F.25	1	2.70	—	—	—	—	"
HEI C	F.65	8	8.20	10	4	23	5	F.65.50
HEI C	F.70	4	0.80	11	2.40	8	3.20	"
HEI P	F.75	—	—	—	—	—	—	"
HEI P	F.60	—	—	10	2	—	—	"
HEI C	F.65	12	1.30	—	—	—	—	"
HO C	F.17.50	—	—	—	—	1	2	F.17
HO C	F.20	—	—	—	—	10	1	"
IMB C	$70	1	1¼	—	—	—	—	$65⅜
KLM C	F.50	91	2.20	6	4	—	—	F.60.50
KLM C	F.70	41	0.20	54	1.80	2	3	"
KLM C	F.80	10	0.10	15	0.50	20	1	"
KLM P	F.60	74	2.90	11	5.30	21	5.60	"
KLM P	F.70	44	10	84	11.30	7	11.60	"
KLM P	F.80	10	18.60	1	20	—	—	"
NN C	F.110	—	—	27	3.70	11	5.50	F.102.10
NN C	F.115	—	—	50	1.60	—	—	"
NN P	F.100	—	—	2	3	8	4.50	"
NN P	F.110	—	—	1	10.30	—	—	"
PET C	Fr.5000	5	200	—	—	—	—	Fr.5030
PET C	Fr.6000	10	5	12	70	—	—	"
PET C	Fr.6500	—	—	3	40	—	—	"
PHI C	F.17.50	—	—	45	0.90	18	1.40	F.17.20
PHI C	F.20	—	—	—	—	15	0.60	"
PHI P	F.22.50	22	5	—	—	—	—	"
RD C	F.140	10	11	—	—	—	—	F.150.80
RD C	F.145	44	6.70	—	—	—	—	"
RD C	F.150	169	4.40	16	6.80	—	—	"
RD C	F.160	345	1	97	3.50	35	5	"
RD C	F.170	94	0.20	248	1.60	2	3.20	"
RD P	F.140	286	1.10	4	4.40	43	6.70	"
RD P	F.145	74	1.60	5	3.30	—	—	"
RD P	F.150	356	3.60	15	8.50	—	—	"
RD P	F.160	63	11	—	—	—	—	"
RD P	F.170	23	20	3	24	—	—	"
UNI C	F.110	30	1	—	—	1	5	F.104.70
UNI C	F.115	—	—	2	1.20	—	—	"
XON C	$50	—	—	8	8¾	—	—	$66¼
XON C	$55	16	3⅛	—	—	—	—	"
		May		Aug.		Nov.		
BA C	$45	2	15	—	—	—	—	$56¾
BA C	$50	1	9¼	—	—	—	—	"
BA C	$60	—	—	5	7	—	—	"
BA C	$70	3	1⅛	—	—	—	—	"
TOTAL VOLUME IN CONTRACTS						2829		

C=Call P=Put

SILVER

Silver was fixed 75.75p an ounce lower for spot delivery in the London bullion market yesterday at £8.936. U.S. equivalents of the fixing levels were: Spot $19.85, down $1.605; three-month $20.293, down $1.548; six-month $21.176, down $1.0959; and 12-month $22.003, down $1.436. The metal opened at £9.1-9.55 ($20-21) and closed

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffici'l	+ or —
Spot	893.60p	—75¾	810.5p	—111
3 months	921.60p	—72	837p	—112.5
6 months	959.60p	—72	—	.....
12months	009.90p	—87.1	—	.....

LME—Turnover 131 (221) lots of 10,000 ozs. Morning: Three months 915, 20, 10, 15, 10, 12, 15, 10, 05, 8, 7, 5, 2, 800, 2, 1. Kerbs: Three months 882, 85. Afternoon: Three months 850, 55, 50, 45, 40, 42, 45, 50, 45, 48, 45, 20, 25, 30, 35, 39. Kerbs: Three months 840, 41, 40.

COCOA

Futures prices eased gradually throughout the day in thin conditions to close marginally above the lows. Trade and commission house selling during the afternoon reflected the bearish sentiment of a market that awaits the resumption of producer sales, reports Gill and Duffus.

COCOA	Yesterd'ys Close	+ or —	Business Done
March	1401-10	—20.5	1415-05
May	1451-32	—18.5	1438-25
July	1440-41	—14.0	1447-37
Sep	1452-53	—15.0	1459-50
Dec	1481-82	—15.5	1486-81
March	1504-05	—15.0	1505
May	1620-31	—17.0	—

Sales: 1,178 (2,020) lots of 10 tonnes.

International Cocoa Organisation (U.S. cents per pound): Daily price March 25 142.62 (143.25). Indicator price March 26: 15-day average 140.68 (140.62); 22-day average 140.59 (140.85).

COFFEE

Robustas opened lower following a late decline in New York, reports Drexel Burnham Lambert. However, once again, volume was fairly light in a tight trading range with trade selling well matched by commission house buying. The upward momentum was maintained during the close in the face of heavy producer-type buying to finish on the highs of the day.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1611-12	—23.5	1616-04
May	1557-58	+1.0	1560-52
July	1684-85	—	1685-63
Sept.	1710-16	—2.0	1716-91
Nov.	1705-08	—5.5	1705-90
January	1698-06	—5.5	1692-87
March	1550-95	—5.0	—

Sales: 4,394 (1,745) lots of 5 tonnes.

ICS Indicator prices for March 25 (cents per pound): Other Mild Arabicas 183.00 (183.00). Robustas ICA 1976 169.25 (169.00). ICA 1968 188.50 (169.25). Unwashed Arabicas 203.00 (204.00). Comp. daily ICA 1968 187.50 (188.75).

GRAINS

LONDON GRAIN FUTURES—Old crops opened higher, barley values increased on good shipper buying to trade 95p higher and a good two way trade was seen. Selling pressure towards the finish eased values back slightly to close about steady. New crops saw a reasonable trade in barley mainly on September and November which traded 20p higher, values eased back slightly to close unchanged to 15p higher on the day. Wheat saw a much thinner volume but values also closed higher on the day, reports Acli.

	WHEAT		BARLEY	
M nth	Yest'rdays close	+ or —	Yest'rday close	+ or —
May	96.40	+0.75	94.40	+0.55
Sept.	93.85	+0.15	91.90	.....
Nov.	98.00	+0.25	96.15	+0.15
Jan.	102.05	+0.50	100.10	+0.10

Business done—Wheat: May 95.70-94.75, Sept. 94.00-93.90, Nov. 98.05-97.85, Jan. 102.05-101.80. Sales: 153 lots of 100 tonnes. Barley: May 94.80-93.95, Sept. 92.10-91.80, Nov. 96.20-96.05, Jan. 100.15-100.10. Sales: 560 lots of 100 tonnes.

IMPORTED — Wheat: U.S. Dark Northern Spring No. 2 14 per cent April and May 97.35, June and July 97.50, August 98.40, Sept. 99.25, Oct. 101 transhipment east coast. English Feed fob April 98, nominal east coast. Maze: U.S./French March 116, April 117 transhipment east coast. S. African Yellow April-May 78.50. Barley: English Feed fob April 97.50, May 99.65 paid east coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat Eastern 96.00, E. Midlands 95.00, N. East 95.00. Feed barley E. Midlands 92.00, N. East 94.00, Scotland 93.10.

RUBBER

The London physical market opened easier with very little interest throughout the day, closing on an easier note. Lewis and Peat reported a Malaysian godown price of 323 (330) cents a kg (buyer, April).

No. 1 R.S.S.	Yest'rdays Close	Previous Close	Business Done
May	67.50-67.80	70.20-70.80	70.40-67.55
June	68.75-68.80	—	70.10-68.75
Jly.-Sept	71.55-71.40	74.40-74.50	74.40-71.50
Oct-Dec	75.55-75.80	78.45-78.50	78.40-75.50
Jan-Mar	78.20-78.30	81.10-81.15	81.00-78.50
Apr-Jne	80.85-80.95	83.65-83.70	82.50-81.00
Jly.-Sept	83.45-85.60	85.20-86.40	85.20
Oct-Dec	86.00-86.40	88.30-88.60	85.00-87.25
Jan-Mar	89.20-89.25	—	—

Sales: 710 (515) at 15 tonnes, 258 (36) at 5 tonnes.

Physical closing prices (buyer) were: Spot 66.00p (67.00p); May 70.25p (72.25p); June 71.50p (73.25p).

SOYABEAN MEAL

The London market opened with losses of 50p on commission house long liquidation, reports T. G. Roddick. Prices slipped slightly further but found some trade support at lower levels and closed with losses of 50p-£1.00.

	Yest'rd'y Close	+ or —	Business Done
	£ per tonne		
April	116.50-14.0	—0.50	112.00
June	108.30-8.70	—1.05	110.00-09.50
August	110.50-11.0	—0.95	111.60-10.80
October	108.40-8.80	—1.20	108.00-08.50
December	111.00-12.0	—1.25	111.50-11.40
February	110.20-14.0	—1.25	114.00-13.50
April	114.50-18.0	—1.45	—

Sales: 100 (43) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £208.00 (same) a tonne cif for March-April-May shipment. White sugar daily price was £221.00 (same).

The market opened lower but quickly found support and thereafter edged higher until after the New York opening when a further sharp improvement occurred on arbitrage buying. Closing prices were some £18 higher on the day, reports C. Czarnikow.

Sugar Pref. Comm. Con.	Yest'rdays Close	Previous Close	Business Done
	£ per tonne		
March	245.00-50.00	201.00	—
May	256.00-30.00	222.50-22.70	256.00-18.00
Aug.	244.75-44.90	236.25-35.50	246.00-51.00
Oct.	253.00-53.50	245.50-46.00	254.00-40.00

Sales: 7,518 (9,107) lots of 50 tonnes.

No. 4 CONTRACT—Close (in order buyer, seller only): May 235.50, 236.00; Aug. 245.50, 246.00; Oct. 253.90, 254.25; Jan. 260.25, 260.50; March 273.00, 273.75; May 274.50, 275.25. Sales: 1,136 (511).

Tate and Lyle ex-refinery price for granulated basis white sugar was £321.7 (same) a tonne for home trade and £291.00 (same) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for March 25: Daily price 18.93 (19.70); 15-day average 18.45 (18.75).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. May 375, 390, nil, nil; Aug. 390, 404, nil, nil; Oct., Dec., Jan. 395, 409, nil, nil; March 400, 410, nil, nil; May 400, 415, nil, nil; Aug. 400, 425, nil, nil. Sales: 0.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per pound: May 452.0, 455.0, 486.0-451.0, 483; July 475.0, 478.0, 503.0-473.0, 1,284; Oct. 474.0, 475.0, 496.0-471.0, 417; Dec. 474.0, 475.0, 495.0-470.0, 480; March 475.0, 478.0, 495.0-475.0, 132; May 478.0, 478.0, 498.0-475.0, 87; July 478.0, 478.0, 470.0-472.0, 45. Sales: 2,934.

PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 26 1980	+ or —	Month ago
Metals			
Aluminium	£810/815	.....	£810/815
Free Mkt	$1950/1960	.....	$2180/22
Copper			
Cash w'bar	£965	—30.5	£1,201
3 mths	£983.5	—26	£1,212.5
Cash Cathode	£927	—29	£1,147.5
3 mths	£959.5	—22	£1,175.5
Gold troy oz	$507.5	—33	$642.5
Lead cash	£468.5	—6	£531.5
3 mths	£447	+2	£498.5
Nickel	£3,338	.....	£3,196.78
Freemkt(cif lb)	295/310c	.....	305/330c
Platin'mtr'y oz	£189-135	.....	£189
Free mkt	£258.80	—20.4	£382.75
Quicksil'ver†	$400/415	.....	$300-400
Silver troy oz	893.60p	—75.75	1445.45p
3 months	921.60p	—72.75	1473.60p
Tin Cash	£7,730	—150	£7,920
3 mths	£7,785	—121.5	£7,995
Tungsten22.04lb	$141.14	.....	$152.11
Wolfrm22.04lbs	$147/151	.....	$159/144
Zinc cash	£381	—5.5	£390
3 months	£386.5	—5	£390.6
Producers	$825	.....	$825
Oils			
Coconut (Phil)	$725w	—6	$625
Groundnut	‡	.....	‡
Linseed Crude	£459	+6	£430
Palm Malayan	$620v	.....	$565
Seeds			
Copra Philip	$500w	.....	$550
Soyabean(U.S.)	$271.80z	—2	$285.50
Grains			
Barley Futures	£91.90	.....	£97.60
Maize			
French No3AM	£116	.....	£115.60
Wheat			
No. 1 Red Spg.	‡	.....	‡
No2NardWint.	‡	.....	‡
Eng. Milling†	‡	.....	‡
Other commodities			
Cocoa ship't	£1,462	—15	£1,415
Future May	£1,431.5	—16.5	£1,397
CoffeeF't'rMay	£1,657.5	+1	£1565.5
Cotton A.Index	93.90c	.....	96.85c
Rubber (kilo)	66p	—1	73.50p
Sugar (Raw)	£208	.....	£228
Wooltp's 64s kl	308p kilo	.....	327pkilo

s June. v May. t March-April. u April. w April-May. x July. z Indicator. § Buyer. ‡ Per 76 lb flask.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 350 tonnes, bringing the total for the week so far to 338 tonnes. Moderate trading developed with Central and South American growths in request. Users also wanted East and West African varieties.

*

GRIMSBY FISH—Supply poor, demand good. Prices at ship's side (unprocessed) per stone: Shell cod £5.00-£5.50, codlings £5.00-£5.80. Large haddock £5.20, medium £4.80-£5.40, small £3.60-£4.00. Medium plaice £4.00-£4.30, best small £3.80-£4.30. Large lemon soles £10.50, medium £9.00. Saithe £2.50-£2.70.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 65.0 to 69.0, Ulster hindquarters 80.0 to 82.0, forequarters 49.0 to 52.0. Eire hindquarters 79.0 to 81.0, forequarters 48.0 to 50.0. Veal: English fats 82.0 to 90.0, Dutch hinds and ends 100.0 to 108.0. Lamb: English small 50.0 to 76.0, medium 64.0 to 74.0, heavy 90.0 to 66.0. Imported frozen—New Zealand pl 51.0 to 84.0, pm 52.0 to 53.0. Pork: English, under 100 lbs. 39.0 to 49.0, 100-120 lbs. 38.0 to 47.0, 120-160 lbs. 37.0 to 46.0.

MEAT COMMISSION—Average fatstock prices at representative markets on March 26. GB cattle 85.27p per kg lw (+2.13); UK sheep 170.2p per kg est dcw (+7.9); GB pigs 68.2p per kg lw (+0.8).

AMERICAN MARKETS

NEW YORK, March 25.

FOLLOW THROUGH selling in gold put pressure on the precious metals as well as copper, cotton and sugar. A technical rally resulted in higher prices for live cattle and mixed closes for hogs, with pork bellies trading off limit declines for the first time since Thursday. Late selling moved all grains and soyabeans into moderate losses. Scepticism about the ICO resolution to support cocoa prices at artificially high prices put a lot of pressure on the market. Lack of trade participation contributed to the downward drift in coffee closes, reported Heinold.

Cocoa—May 139.20 (142.90), July 137.15 (139.90), Sept. 138.25, Dec. 3048, March 3099, May ——, July ——, Sept. ——. Sales: 1,014.

Coffee—"C" Contract: May 187.50-187.75 (169.53), July 193.25-193.75 (196.15), Sept. 196.25-197.75, Dec. 188.37, March 180.95, May 181.05, July 181.00. Sales: 5,010.

Copper—March 89.90 (92.60), April 90.20 (92.80), May 90.70-92.50, July 84.50-95.50, Sept. 97.00, Dec. 100.00-

Closing prices were not available for this edition.

101.00, Jan. 101.20, March 103.20, May 105.20, July 107.20, Sept. 109.20, Dec. 112.20, Jan. 113.20. Sales: 7,000.

Cotton—No. 2: May 85.62 (87.62), July 83.55-83.70 (85.55), Oct. 78.30-79.70, Dec. 75.00-75.50, March 75.70, May 75.75-77.00, July 77.25-77.75, Sept. ——. Sales: 14,550.

*Gold—March 529.0 (548.0), April 527.5-530.0 (549.0), May 537.5, June 545.0-547.5, Aug. 562.0-565.0, Oct. 580.8, Dec. 596.0-600.0, Feb. 615.6, April 628.0, June 650.4, Aug. 667.8, Oct. 685.2, Dec. 702.8. Sales: 21,000.

Orange Juice — May 93.10-93.25 (93.00), July 94.65 (94.50), Sept. 96.30, Nov. 97.70-97.90, Jan. 98.70-98.90, March 99.20-99.50, May 100.00, July 100.50-101.00. Sales: 600.

Potatoes (round whites)—April 42.5 (44.0), May 49.1-49.4 (50.7), Nov. 74.7-74.8. Sales: 688.

*Platinum — March 603.0 - 610.0 (640.0), April 511.0 (651.0), May unquoted, July 642.5, Oct. 675.5, Jan. 708.5, April 743.5, May unquoted. Sales: 1,454.

¶Silver—March 1970.0-2025.0 (2125.0), April 2262.0 (2362.0), May 2305.0, July 2375.0, Sept. 2447.0, Dec. 2527.0, Jan. 2554.0, March 2608.0, May 2662.0, July 2719.0, Sept. 2770.0, Dec. 2840.0, Jan. 2864.0. Sales: 6,000. Handy and Harman bullion spot 1910.00 (2325.00).

Sugar—No. 11: May 13.50-19.75 (20.03), July 20.30-20.50 (21.90), Sept. 21.35-21.40, Oct. 21.80-21.90, Jan. 23.20, March 24.08-24.20, May 24.20-24.25, July 24.40. Sales: 17,350.

Tin—818.00-824.00 asked (813.00-824.00).

CHICAGO, March 25.

Lard—Chicago loose 19.50 (19.63). New York prime steam 21.15 (same).

Live Cattle—April 65.22-65.10 (64.82), June 67.40-67.50 (66.95), Aug. 67.30-67.20, Oct. 66.40-66.20, Dec. 67.70-67.80, Jan. 67.85, Feb. 68.25-68.40.

Live Hogs—April 32.30-32.45 (32.60), June 36.35-36.45 (36.65), July 38.20-38.15, Aug. 38.30-38.15, Oct. 38.60-38.45, Dec. 41.72-41.65, Feb. 44.40, April 42.50, June 45.10.

‡‡Maize—May 266-265¼ (265¾), July 278½-278¾ (278¼), Sept. 290½-290¼, Dec. 298¾-298½, March 311-310¼, May 319½.

Pork Bellies—April unquoted (unquoted), May 39.60-39.50 (41.25), July 41.00-41.15, Aug. 40.15-40.00, Feb. 52.65, March 52.90, May 53.60, July ——, Aug. ——.

Silver—March 1980.0 (2155.0), April 1990.0 (2165.0), June 2135.0, Aug. 2195.0, Oct. 2255.0, Dec. 2331.0, Feb. 24.15, March 24.45-24.50, May 24.90, 2370.0, April 2435.0, June 2490.0, Aug. 2550.0, Oct. 2610.0, Dec. 2670.0, Feb. 2730.0, April 2790.0, June 2850.0, Aug. 2910.0.

†Soyabeans—May 614-613 (617¾), July 639½-638 (641½), Aug. 649, Sept. 658½-659, Nov. 676½-677, Jan. 695, March 714, May 728½.

‖Soyabean Meal—May 168.6-168.7 (169.5), July 175.1-175.2 (175.5), Aug. 178.3-178.4, Sept. 181.6, Oct. 185.1, Dec. 189.7-189.5, Jan. 181.5, March 196.5, May 199.5-200.0.

Soyabean Oil — May 22.02-22.00 (22.01), July 22.64-22.62 (22.63), Aug. 22.92-22.95, Sept. 23.22-23.25, Oct. 23.52-23.55, Dec. 23.95, Jan. 24.10-July 25.30-25.40, March ——.

†Wheat—May 426½-426 (426¼), July 437-436 (437½), Sept. 449½, Dec. 468-467½, March 484, May 495.

WINNIPEG, March 25. §Barley—March 112.70 (113.40), May 115.00 (115.40), July 117.40, Oct. 113.70, Dec. 13.60.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 221.30 (219.70).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, March 26.

Wheat—U.S. No. 2 Red Winter May $191, June $187, July $187, Aug. $192. U.S. No. 2 Northern Spring, 14 per cent, April $194, May $193, June $193, July $195, Aug. $188. Rest unquoted.

Maize—U.S. No. 3 Corn Yellow afloat $132.25 traded, afloat $133, March $132, April $132, May $133.50, June $136.50, July-Sept. $141, Oct.-Dec. $146, Jan.-March $153.

Soyabeans—U.S. Two Yellow Gulfports afloat $292.50, May $257-$256.75 traded, Sept. $273 buyers, April $256.50, June $263.50, July $266.50, Aug. $270, Sept. $274, Oct.-Nov. $277, Dec. $284, Jan. $287.75, Feb. $294.50, March $297 sellers.

Soyameal—44 per cent protein U.S. afloat $225, May $222, Nov.-March $244 traded, afloat $225, March $223, May $222, June $224.50, Aug.-Sept. $226, Nov.-March $244 sellers. Brazil Pellets April $231-$230, July-Sept. $231 50 traded, afloat $236, April $231, May $228, June-July $231, July-Sept. $231.50, Nov.-March $254 sellers.

PARIS, March 26.

Cocoa (FFr per 100 kilos)—March 1345-1375, May 1355-1375, July 1365, Sept. 1374-1385, Dec. 1382-1398, March 1385-1405. Sales at call 0.

Sugar (FFr per 100 kilos)—May 2,175/2,185, July 2,195/2,230, Aug. 2,285/2,290, Oct. 2,375/2,420, Nov. 2,370, Dec. 2,450, March 2,520, May 2,580. Sales at call 14.

INDICES

FINANCIAL TIMES

Mar. 25	Mar. 24	M'nth ago	Year ago
295.26	299.91	301.24	274.50

(Base: July 1, 1952=100)

MOODY'S

Mar. 25	Mar. 24	M'nth ago	Year ago
1209.0	1254.7	1587.1	1057.0

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 25	Mar 24	Month ago	Year ago
Spot	423.50	436.46	453.20	379.31
F'tur's	455.48	436.62	450.89	398.73

(Average 1924-25-26=100)

REUTERS

Mar. 26	Mar. 25	M'nth ago	Year ago
1702.2	1743.8	1783.5	1574.8

(Base: September 18, 1931=100)

Firm awaiting Budget hardly likely to excite equities but enough to extend recent upturn in Gilt-edged

Account Dealing Dates
Options

*First Dealings	Declarations	Last Dealings	Account Day
Mar. 10	Mar. 20	Mar. 21	Mar. 31
Mar. 24	Apr. 10	Apr. 11	Apr. 21
Apr. 14	Apr. 24	Apr. 25	May 6

* "New time" dealings may take place from 9 a.m. two business days earlier.

Account Dealing Dates
Options

*First Dealings	Declarations	Last Dealings	Account Day
Mar. 10	Mar. 20	Mar. 21	Mar. 31
Mar. 24	Apr. 10	Apr. 11	Apr.21
Apr. 14	Apr. 24	Apr. 25	May 6

Stock markets cootinued to exude cautious optimism ahead of tbe Chancellor's speecb yesterday. Investment interest was particularly marked in Gilt-edged where sentiment was again huoyed hy the prospect of further public expenditure cuts and a deflationary Budget. The inflow of fresb investment funds, bowever, was often countered hy selling which teoded to restrict price gains to a maximum of ½.

Leading equities immediately picked up Tuesday's late firmer tendency and extended the upturn on eleventh-hour hook squaring coupled with professional hear closing. Most of the day's business was completed within two bours of the opening and leading industrials did little more in the later trade than maintain the enhanced levels in a negligible turnover.

Of the sectors, Oils bloomed again as investors became resigned to an increase in Petroleum Revenue Tax, duly confirmed later. Britisb Petroleum led the advance, although numerous secondary issues featured including Siebens (UK), Ultramar and London Scottish and *Marin Oil, the last-named* in response to Press conclusions on future prospects after Tuesday's preliminary statement.

Trading in most stock market sectors ceased at 3.30 pm and, owing to the length of the Chancellor's speech, was not resumed. Most of the Budget proposals were broadly ln line with predictions and on first sight could benefit British Funds. The outlook for equities was deemed less certain, although the market could be belped in the sbort-term through the investment of funds huilt np awaiting the Chancellor's measures.

Relief that a windfall profits tax bad not been introduced sbowed ln very late rlses of about 5 pence more in already firm clearing banks, but tbe overall rather static late scene was captured by the FT 30-share index which, after registering a *gain of 4.0* at 3 pm, hardened only a shade further to close 4.8 up at 435.1 on prices taken after 5 pm.

An active husiness in Land Secnrities and BP, which recorded 256 and 159 deals respectively, was mainly responsible for contracts in Traded Options rising to 806—the highest total for almost two weeks.

Eagle Star pleases

*Eagle Star stood out in Insur*ances with a rise of 12 to 168p in response to the hetter-than-expected preliminary results. Other Composites rose in sympathy with Sun Alliance closing 10 better at 544p, Royals 8 dearer at 315p and Commercial Union 4 up at 130p. Among Life issues, Legal and General fell 6 to 154p on the disappointing results, while Prudential softened 2 to 166p, after 170p, for a similar reasons. Dealers were not making prices following the Budget announcement that tax relief on life assurance is to be reduced to 15 per cent.

Still buoyed by news that Marsb and McLennan's bid for C. T. Bowring is not to be referred to the Monopolies Commission, selected Lloyds Brokers edged forward on hopes of further bi ddevelopments in the sector. Bowring, at 141p, held on to the previous day's rise of 10, while C. E. Heath bardened 2 to 210p and Hogg Robinson edged forward a penny to 106p.

Already around 4 higher at the "House" close, the major clearing hanks were marked up further after-bours on relief that a "windfall" profits tax is not to he imposed. Midlands closed 9 better at 317p, while Lloyds, 296p, and NatWest, 316p, rose 8 apiece. Discounts moved up in sympatby with the firm tendency of gilt-edged securities.

Firm ahead of the hudget speecb, Breweries moved higher following the excise duty increases which proved to he less than expected and the leaders closed with gains to 7. Whitbread, 143p, and Bass, 222p, hoth rose that amount while Allied picked up 3½ to 75½. Wines and Spirits were also marked higher while Distillers, 205p, and Highland, 126p, gaining 7 and 6 respectively. Arthur Bell, interim results today, firmed 4 to 168p.

Building descriptions recorded scattered modest improvements. In Timhers, Mallinson-Denny attracted fresh speculative support and added 1½ to 62p, while International bardened a penny to *109p*. Montague L. Meyer touched 113p before reverting to the overnight level of 111p. Elsewbere, Feb International A improved 2 to 33p, but Comben sbed that much to a 1980 low of 27p.

Quietly steady during the House session, ICI closed 4 higher at 374p. Amoog other Chemicals, buyiog ahead of today's annual results lifted Coates Brothers 3 to 52p and the A a like amount to 49p.

News that Dutch concern Brabant has increased its holding in the company to just over 9 per cent left Combined English Stores 3 harder at 36p; the *annual results are expected* next Monday. House of Fraser, results dne today, firmed 4 to 138p. Other Store leaders also tended to higher levels with British Home closing 4 better at 289p, as did GUS A, at 386p. Among secoodary issues support was apparent for Elys (Wimbledon), 48p, and Bakers Household, 86p, up 3 and 4 respectively while demand in a thin market lifted Lee Cooper 7 to 280p.

Electrical leaders trade on a steady to firm note, GEC, 363p, Plessey, 134p, and Thorn, 316p, all improving a few pence. BICC encountered support ahead of next Wedoesday's preliminary statement and put on 5 to 111p, but lower interim profits left AB Electronic 4 cbeaper at 142p. Further speculative demand lifted Muirhead 12 to 206p, while Louis Newmark rallied 10 more to 330p.

With the exception of Hawker Siddeley, which improved 8 to 178p, the Eogineering leaders eoded the day with little alteration. Vickers closed 2 cheaper at 112p, after 115p, sentiment bere not being helped by news of the redundancies and short-time working at its Newcastle subsidiary. Elsewhere, movements were mainly dn respoose to company trading statements. Rotork were noteworthy at 56p, up 5, following satisfactory annual results. Comment on the preliminary figures left Spirax-Sarco 2 firmer at 180p, while R. Cartwright responded to the increased dividend and profits with a rise of 3 to 81p.

Royal Worcester up

Leading Foods were inclined firmer. Associated Dairies improved a couple of pence to 178p, while J. Sainsbury, at 295p, recovered 2 of the previous day's fall of 7 that followed publicity given to hrokers' adverse circulars. Belam came in for support and added 3 to 62p, while Clifford's Dairies A responded to the excellent annual results with a gain of 8 at 84p.

*The smaller-than-expected in*creases ln excise duty on beer and spirits prompted a late gain of 4 to 128p in Grand Metropolitan. Trusthouse Forte made steady progress and closed 5 dearer at 171p.

Secondary issues provided some scattered features among miscellaneous industrials. Demand ahead of next Wednesday's preliminary results prompted a rise of 8 to 250p in Royal Worcester, while perennial hid favourite Pauls and Whites attracted renewed speculative support and closed 6 to the good at 131p. John Baker rose 10 to 165p as did De La Rue, to 620p, while Sothehys gained 8 to 443p. BTR added 9 to 335p, while revived bid hopes lifted Howard Tenens a couple of pence to 74p. Comment on the record profits and the capitalisation proposals prompted a further improvement of 3 to 195p in Stag Furniture but Bridon, at 71p, gave up 2 of the previous day's late rise of 7 which followed news of the company's sale of its interests ln Haggie, its South African associate, to Anglo American Industrial Corporation and Union Corporation for £32m. The leaders traded quietly firm ahead of the Budget, but the increase in prescription cbarges caused late adjustmeots in Beecham and Glaxo; the former reacted from 119p to close only a penny harder on balance at 117p, while Glaxo lost an improvement of 4 to close unaltered at 246p.

The sharp profits setback and gloomy statement prompted selling in Appleyard whicb fell to a 1980 low of 52p before rallying to close only 4 down on balance at 58p. Elsewbere in Motor Distributors, Western eased 2 to 98p in front of today's annual results, but Ford dealers Lyon and Lyon added that amount to 69p following the increased full-year profits and dividend. In Components, Automotive continued firm and advanced 6 more to 82p on the new transmission, while Dowty firmed 3 to 167p. Lucas held steady at 219p in front of today's interim statement.

Among Newspapers, United ran into profit-taking and, at 393p, lost the previous day's gain of 12 which followed the annual results and proposed scrip issue.

Interest in Properties was confined to selected secondary issues. Fairview Estates firmed 11 to 243p, after 245p, on second thoughts about the interim results, but Slough Estates reverted to the overnight level of 119p, after 120p, following the preliminary statement. Buying ahead of today's half-yearly figures lifted Centrovincial Estates 5 to 125p, while Laing A added 3 to 146p on late support. Marlborough firmed 2½ to 33½p and Property and Reversionary a couple of pence to 142p as the two companies emerged as the successful bidders for the 17 acre GKN/Rockwell site in Frimley, Surrey.

The Chancellor's announcement of an increase to 70 per cent in petroleum revenue tax was not unexpected and had no effect on Oils which held on to earlier useful improvements. Activity in after-hours' dealings was limited, but sentiment was helped by the absence of a "windfall profits" tax and a firmer trend is expected at today's opening. Among the leaders, BP finished 12 to the good at 350p, hut Shell ended without alteration at 338p, after 342p. Secondary issues made a good showing, helped by a favourable response to the preliminary results from Lasmo, up 12 at 452p. Press mention stimulated further demand for Siebens which advanced 20 to 580p, while Clyde were outstanding at 386p, up 26p. Gas and Oil Acreage, 365p, and Attock, 218p, rose 10 apiece.

Reflecting the firmer trend in equities generally, Trusts made a little progress. Atlantic Assets firmed 4 to 154p and gains of a few pence were marked against Great Northern Investment, 94p, and Romney, 80p.

Golds lose ground

South African Golds fell back for the second day running but, in common with other mining markets, business was at a low ebb. Shares followed the gold price lower, although some small London buying held declines in check.

Bullion closed $33 down at $607.50 an ounce and the Gold Mines Index lost 11.1 at 304.4.

The South African budget was considered by the market to be generally neutral in its implications and bad no effect on share prices. After trading devoid of much interest, Vaal Reefs closed 1½ lower at £23¾ and West Driefontein 1½ down at £29¼.

Drab conditions extended to South African Financials, where De Beers dropped 7 to 405p.

London Financials started steadily but then drifted off. There was no marked selling pressure, however. Selection Trust and Consolidated Gold Fields ended 8 lower at 664p and 486p respectively. Some early investment huying of Rio Tinto-Zinc developed, but the price finished below the hest at 359p for a net gain of 6.

The general easiness spread to Platinums where Impala were 10 easier at 260p and Rustenburg slipped 5 to 215p in spite of the more than doubled interim dividend.

Australians marked time. Prices were generally lower but falls were not as steep as on Wednesday and trading was subdued. Some selling pressure emerged in Sydney overnight and this was reflected in the London declines.

North Broken Hill were 10 easier at 144p, while other leaders like MIM, at 200p, Conzinc Riotinto, at 230p, and Bougainville, at 160p, had losses of 5 or 6.

LONDON TRADED OPTIONS

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	300	54	6	—	—	—	—	346p
BP	325	29	9	—	—	—	—	"
BP	350	20	92	—	—	—	—	"
BP	360	—	—	36	1	49	1	"
BP	375	6	30	—	—	—	—	"
BP	390	—	—	95	3	56	—	"
BP	400	4	10	—	—	—	—	"
BP	420	—	—	16	6	26	—	"
Com. Union	140	8½	16	6	—	15	—	129p
Cons. Gold	500	29	1	40	9	64	—	487p
Cons. Gold	550	5	30	99	10	34	—	"
Courtaulds	70	4	—	8	2	9	9	69p
Courtaulds	80	2	1	4	—	6½	2	"
GEC	330	40	—	59	—	71	2	365p
GEC	360	17	15	39	—	52	—	"
Grand Met.	120	6½	2	17	1	81	—	126p
Grand Met.	130	5	—	9½	6	15½	—	"
Grand Met.	140	9	36	5½	—	9½	1	"
ICI	360	21	3	41	—	61	—	370p
ICI	390	4½	6	21	8	34	—	"
Land Secs.	280	91	10	31	—	46	—	294p
Land Secs.	300	6	111	20	110	33	—	"
Land Secs.	330	6	—	10	65	—	—	"
Marks & Sp.	60	4½	8	6	—	19½	—	90p
Shell	300	46	5	—	—	—	—	338p
Shell	330	24	7	44	—	54	—	"
Shell	360	9	36	65	—	36	—	"
Shell	390	4	—	16	6	96	1	"
Shell	420	2	10	8	41	16	9	"
Totals			437		228		18	
		May		August		November		
Imperial Cp.	70	8½	40	12½	—	13½	18	76p
Imperial Cp.	80	3	6	5½	—	7½	16	"
Racal Elec.	260	10	2	31	1	33	—	216p
RTZ	360	30	4	55	—	65	—	360p
RTZ	420	11	10	32	—	39	—	"
RTZ	500	1	—	12	35	—	—	"
Totals			81		34		28	

FINANCIAL TIMES STOCK INDICES

	Mar. 26	Mar. 25	Mar. 24	Mar. 21	Mar. 20	Mar. 19	A year ago
Government Secs.	64.51	64.40	64.18	64.10	64.34	64.40	74.89
Fixed Interest	65.00	64.91	64.87	64.76	64.79	64.78	76.22
Industrial	435.1	430.3	427.2	429.9	433.2	432.0	558.5
Gold Mines	304.4	316.5	326.2	306.4	315.0	294.3	186.9
Ord. Div. Yield	7.94	8.02	8.07	7.99	7.93	7.90	5.58
Earnings Yld. % (full)	19.77	19.98	20.10	19.88	19.75	20.34	14.08
P/E Ratio (net) (*)	6.17	6.11	6.07	6.15	6.18	5.97	9.04
Total bargains	17,578	21,194	19,232	21,317	20,919	19,749	—
Equity turnover £m	—	78.79	64.44	100.76	87.12	87.75	163.67
Equity bargains total	—	16,685	12,986	16,600	15,919	14,924	32,808

10 am 432.0. 11 am 434.6. Noon 434.2. 1 pm 434.3. 2 pm 434.4. 3 pm 434.3.

Latest Index 01-246 8026.

*Nil=5.91.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980 High	1980 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	69.26 (21/1)	63.86 (7/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	69.61 (21/1)	64.70 (10/3)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	476.5 (13/2)	406.9 (3/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	377.9 (28/2)	665.5 (18/3)	449.3 (22/5/57)	43.5 (28/10/71)

S.E. ACTIVITY

	Mar. 26	Mar. 25
—Daily		
Gilt Edged	136.1	161.3
Industrials	117.3	133.9
Speculative	34.7	41.1
Totals	82.9	93.5
5-d'y Av'r'ge		
Gilt Edged	135.0	135.5
Industrials	120.7	124.4
Speculative	45.2	47.7
Totals	84.5	87.9

NEW HIGHS AND LOWS FOR 1980

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1980.

NEW HIGHS (22)

BRITISH FUNDS (4)
Treas. 14pc 1976 — Treas. 3½pc '77-80
Treas. 9½pc 1980 — Funding 5½pc '78-80
FOREIGN BONDS (1)
Chinese 5pc '25 Boxer
BANKS (1)
Brown Shipley
BEERS (1)
Greenall Whitley
STORES (2)
Bekers Stores — Jones (Ernest)
ENGINEERING (1)
Robinson (T.)
INDUSTRIALS (4)
Dinkie Heel — Scotcros
Royal Worcs. — Stag Furniture
MOTORS (1)
Automotive
NEWSPAPERS (1)
Portsmouth Sunderland
PAPER (1)
ORG
TEXTILES (1)
Mountleigh
TRUSTS (2)
Fundinvest Inc. — Lazard Stlg. Res.
OVERSEAS TRADERS (2)
Paterson Zochonis — Paterson Zochonis A

NEW LOWS (51)

FOREIGN BONDS (2)
Chinese 4½pc 1898 — Japan 6pc '83-88
AMERICANS (10)
AMF 5pc Cnv. '87 — First Chicago
Asarco — GATX
Browning-Ferris — Quaker Oats
C.P.C. — Singer
Chrysler — Tenneco 10pc Ln 1991-95
Crown Zellerbach — Time Inc.
Eaton Corp.
Firestone Tire
CANADIANS (3)
Bell Canada — Rio Algom
Hollinger
BANKS (2)
Copenhagen H'bk. — Credit France
BUILDINGS (3)
Comben Group — Tilbury Contracting
Lafarge S.A.
CHEMICALS (1)
Norsk Hydro
STORES (2)
Cope Sportswear — Lincroft Kilgour
ELECTRICALS (1)
Suter Pafd.
ENGINEERING (2)
Abwood — Eva Inds.
FOODS (1)
Barker & Dobson
INDUSTRIALS (8)
Bodycote Int. — N.C.R. 4pc '93-98
Hirst & Mallinson — Renwick
Long & Hembly — Somic
Lontrim — Wood (A.)
MOTORS (1)
Appleyard
SHOES (1)
Lambert Howarth
TEXTILES (1)
British Mohair
TRUSTS (2)
Rolinco — Throgmorton Growth
Do. Sub. Shares
MINES (6)
Central Pacific — Newmetal
Conzinc Riotinto — Oilmin
M.I.M. Holdings — Paringa

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	80	—	10
Corpns., Dom. and Foreign Bonds	6	3	57
Industrials	320	113	964
Financial and Prop.	170	45	284
Oils	26	5	18
Plantations	15	1	11
Mines	14	85	56
Others	32	60	35
Totals	663	312	1,433

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Wed., Mar. 26, 1980 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Tues., Mar. 25 Index No.	Mon., Mar. 24 Index No.	Fri., Mar. 21 Index No.	Thurs., Mar. 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	231.45	+0.9	18.87	6.78	6.67	229.50	229.96	230.72	231.81	273.52
2	Building Materials (28)	226.75	+0.3	17.86	6.91	7.05	226.08	226.48	227.06	227.29	255.07
3	Contracting, Construction (28)	350.62	+0.2	27.20	6.94	4.48	349.90	351.75	352.84	355.06	418.84
4	Electricals (15)	597.09	+1.3	13.52	4.18	9.85	589.21	593.23	595.47	600.40	655.28
5	Engineering Contractors (11)	277.58	+1.2	26.68	9.26	4.77	274.38	272.43	273.51	273.71	407.21
6	Mechanical Engineering (74)	157.14	+1.1	21.35	8.28	5.85	155.50	154.98	155.84	156.25	207.17
8	Metals and Metal Forming (16)	159.53	+0.5	21.55	9.71	5.53	158.75	158.84	158.59	159.50	179.19
	CONSUMER GOODS										
11	(DURABLE) (50)	213.76	+1.0	16.64	5.91	7.39	211.65	211.17	211.82	211.99	248.92
12	Lt. Electronics, Radio, TV (15)	304.49	+1.2	12.63	4.37	10.15	300.98	300.44	301.89	301.33	337.87
13	Household Goods (14)	105.74	+0.3	28.10	10.37	4.21	105.42	105.22	104.26	104.16	174.62
14	Motors and Distributors (21)	105.53	+0.7	25.26	9.20	4.65	104.80	104.42	105.29	105.41	128.64
	CONSUMER GOODS										
21	(NON-DURABLE) (173)	214.34	+1.5	18.89	7.19	6.51	211.22	210.93	211.76	212.91	253.45
22	Breweries (14)	267.43	+3.5	16.53	6.57	7.10	258.27	256.11	257.97	257.58	271.61
23	Wines and Spirits (5)	300.73	+3.5	18.05	6.16	6.84	290.64	289.26	292.33	294.49	348.36
24	Entertainment, Catering (17)	291.96	+2.3	19.07	7.20	6.56	285.46	286.23	287.05	289.03	339.92
25	Food Manufacturing (19)	188.65	+0.8	21.58	8.05	5.71	187.07	187.17	187.98	189.02	229.93
26	Food Retailing (15)	294.50	+0.9	14.10	5.12	8.47	291.93	293.65	294.77	296.34	300.38
32	Newspapers, Publishing (13)	402.44	+0.1	25.08	7.48	5.44	401.85	403.70	403.29	405.87	456.57
33	Packaging and Paper (15)	125.75	+1.2	24.09	9.14	5.25	124.32	123.79	124.61	125.30	153.20
34	Stores (43)	214.49	+0.9	14.34	5.36	9.02	212.68	212.01	212.96	214.32	248.55
35	Textiles (24)	124.72	+1.3	28.46	12.35	4.43	123.18	123.75	123.70	124.68	191.61
36	Tobaccos (3)	199.21	+1.0	29.23	11.81	3.88	197.16	197.16	196.27	197.76	281.94
37	Toys and Games (5)	31.66	+0.6	47.49	16.03	2.59	31.47	31.37	31.13	31.63	95.73
41	OTHER GROUPS (97)	197.63	+0.8	17.78	7.39	6.74	196.01	196.45	197.41	198.59	229.21
42	Chemicals (16)	296.22	+1.2	20.96	8.10	5.47	292.68	291.98	292.45	293.92	317.92
43	Pharmaceutical Products (7)	199.22	+0.4	12.88	6.56	9.41	198.38	200.33	202.40	205.51	285.48
44	Office Equipment (6)	109.83	+0.8	19.31	7.44	5.97	109.61	108.56	110.12	110.88	152.78
45	Shipping (11)	450.95	+0.1	11.42	6.87	11.10	450.45	451.94	455.07	453.15	442.23
46	Miscellaneous (57)	231.31	+0.8	17.96	7.17	7.01	229.47	230.42	231.19	232.17	256.76
49	INDUSTRIAL GROUP (492)	221.42	+1.1	18.45	7.04	6.66	218.95	219.02	219.88	220.99	260.20
51	Oils (8)	720.87	+2.0	30.47	7.06	3.49	706.71	698.38	737.31	749.83	652.99
59	500 SHARE INDEX	260.97	+1.3	20.95	7.04	5.61	257.60	257.83	260.76	262.68	292.40
61	FINANCIAL GROUP (118)	188.62	+1.1	—	6.23	—	186.51	186.50	188.03	188.45	206.88
62	Banks (6)	208.18	+2.1	46.71	7.34	2.61	203.87	204.09	207.30	205.81	241.94
63	Discount Houses (10)	211.42	+1.1	—	9.44	—	209.06	209.86	211.05	207.40	259.94
64	Hire Purchase (5)	185.70	−0.1	17.69	5.35	7.34	185.88	184.99	184.70	185.68	188.14
65	Insurance (Life) (10)	163.47	−0.8	—	6.55	—	164.84	164.80	166.98	167.82	168.73
66	Insurance (Composite) (9)	120.96	+2.5	—	8.13	—	118.01	118.41	121.89	122.99	148.49
67	Insurance Brokers (10)	292.90	+0.4	16.83	7.10	8.37	291.73	287.94	286.31	288.36	351.11
68	Merchant Banks (14)	99.31	+0.1	—	6.20	—	99.21	99.16	99.81	99.61	97.28
69	Property (45)	360.21	+0.4	3.62	3.08	39.68	358.62	357.99	354.06	356.08	347.50
70	Miscellaneous (9)	127.08	+0.9	16.35	7.20	8.03	125.94	126.88	127.06	127.00	127.62
71	Investment Trusts (109)	203.87	+0.9	—	6.38	—	202.15	203.93	204.78	204.94	233.19
81	Mining Finance (4)	187.79	+0.1	12.27	4.71	9.89	187.63	188.75	185.18	191.23	135.68
91	Overseas Traders (19)	396.14	+1.7	12.76	6.80	9.60	389.50	388.15	388.26	390.01	378.73
99	ALL-SHARE INDEX (750)	243.69	+1.2	—	6.79	—	240.74	240.49	243.27	244.91	268.64

FIXED INTEREST PRICE INDICES

	British Government	Wed., Mar. 26	Day's change %	xd adj. today	xd adj. 1980 to date
1	Under 5 years	101.09	+0.16	—	2.30
2	5-15 years	103.79	+0.29	—	2.68
3	Over 15 years	108.54	+0.53	—	2.30
4	Irredeemables	119.90	+0.77	—	1.78
5	All stocks	104.24	+0.34	—	2.34

FIXED INTEREST YIELDS

British Govt. Av. Gross Red.

			Wed., Mar. 26	Tues., Mar. 25	Year ago (approx.)
1	Low Coupons	5 years	13.06	13.10	9.33
2		15 years	12.89	12.93	10.17
3		25 years	12.89	12.93	10.87
4	Medium Coupons	5 years	14.91	14.98	11.02
5		15 years	14.47	14.52	11.65
6		25 years	14.23	14.31	11.93
7	High Coupons	5 years	15.01	15.07	11.34
8		15 years	14.76	14.84	12.05
9		25 years	14.59	14.71	12.27
10	Irredeemables		12.39	12.48	10.69

		Wed., March 26 Index No.	Wed., March 26 Yield %	Tues. March 25	Mon. March 24	Fri. March 21	Thurs. March 20	Wed. March 19	Tues. March 18	Mon. March 17	Year ago (approx)
15	20-yr. Red. Deb & Loans (15)	49.74	†14.85	49.76	49.69	49.87	49.67	49.61	49.81	49.68	57.31
16	Investment Trust Prefs. (15)	47.12	14.08	47.12	47.12	47.73	47.91	47.91	47.91	47.91	51.12
17	Coml. and Indl. Prefs. (20)	61.24	14.87	61.24	61.24	61.16	61.38	61.38	61.64	61.34	71.47

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980 high	1980 low
BP	25p	12	350	+12	412	328
Shell Transport	25p	10	338	—	410	314
Turner & Newall	£1	9	104	+ 2	142	99
Beecham	25p	8	117	+ 1	134	114
Allied Breweries	25p	7	75½	+ 3½	84	68
Burmah Oil	£1	7	197	+ 7	249	162
Courtaulds	25p	7	70	+ 1	79	68
GEC	25p	7	363	+ 2	388	326
Grand Met.	50p	7	126	+ 4	145	122
ICI	£1	7	374	+ 4	402	353
Imp. Cont. Gas 8% Cnv. 1995-2000	£100	7	£97½	—	£98½	£96
LASMO	25p	7	452	+12	528	337
Midland Bank	£1	7	317	+ 9	383	308
Unilever	25p	7	416	+ 2	480	414
Bridon	25p	6	71	− 2	78	53

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 17	Mar. 28	Jun. 26	Jul. 7
Mar. 31	Apr. 11	Jul. 10	Jul. 21
Apr. 21	May 2	Aug. 7	Aug. 18

For rate indications see end of Share Information Service

Stocks favoured for the call included W. L. Pawson, Burmah, BSG, Oil Search, Fidelity Radio, Hawtin, Reo Stakis, Letraset, Charterhall, Unitech, United Scientific and Premier Oil. Puts were completed in Ultramar, *Western Areas* and Davy International, while a double was arranged in Charterhall.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p‡	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
50	50p	—	140	65	Berkley Exploration	115	.....	—	—	—	—
£1	F.P.	21/3	102	100	Child Health Res'ch.	100	.....	—	—	—	—
10	F.P.	28/2	11¼	10	Keep Inv. Trust 5p	11¼	.....	—	—	—	—
**	F.P.	7/3	89	70	Lon.Merc'tSecs.Defd	74	+2	—	—	—	—
§90	F.P.	—	101	94	Morley (R.H.) 10p	101	.....	b4.75	1.3	5.8	16.0
—	F.P.	—	34	29	Roche Plant 10p	29	−2	1.85	2.7	6.2	6.8
§44	F.P.	—	60	55	WebberElctCom12.5p	56	−1	b3.5	‡1.6	8.9	10.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price	+ or −
¶¶	F.P.	—	37p	35p	Aurora 8.85% Cum. Pref.	35½pxd	+½
‖120p	F.P.	16/2	122p	100p	Gilliford (Chas.) 12% Cum. Pref.	109p	+9
¶	F.P.	30/5	98p	93	Felixstowe Dock 9½% Cum Red Pref.	94	.....
—	—	9/9	112	106	Globe Inv Tst 11½% Conv Uns Ln '90-95	106½	+½
¶¶	F.P.	—	98½	96	Imp. Cont. Gas 8% Conv. Loan 1995-2000	97¼	.....
‖	Nil	—	2¼pm	1pm	Leigh Interests 10pc Conv. Uns Ln. 1984-85	1pm	−¼
¶	£10	29/6	6⅝	7	Mid Kent Water 9% Red Pref. 1985	7¼	.....
¶	F.P.	24/4	97	95	Rk'm'nw'h & Uxbridge Wtr. 9% Rd Pf 1985	95	.....
¶	F.P.	30/5	99½	98½	Sutton District Water 10pc Red Pref. 1983	99½	.....

"RIGHTS" OFFERS

Issue Price p‡	Am't Unit Paid Up	Latest Renunc. Date ●	Latest Renunc. Date ■	1980 High	1980 Low	Stock	Closing price p‡	+ or −
166	F.P.	21/5	6/6	167	159	AOB Research	167	.....
$25.50	Nil	—	—	15	Nil pm	Bank of Montreal	Nilpm	−¼
330	F.P.	—	—	391	316	Cluff Oil	380	.....
33½	F.P.	22/2	28/3	69½	58	Edwards (Louis C.)	58pm	.....
60	F.P.	3/1	24/1	845	660	Hammerson Prop. A	790	.....
60cts	Nil	—	—	425pm	190pm	Pancontinental	255pm	−5
68	Nil	—	13/6	6¼pm	1pm	United Biscuits	8pm	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *g* Assumed dividend and yield. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 participating pref. shares and 1 ord. share at R3.50 per unit. † Dealings under special rule.

LEADERS AND LAGGARDS

The following table shows the percentage changes † which have taken place since December 31, 1979, in the principal equity sections of the FT Actuaries Share Indices. It also contains the Gold Mines Index.

Electronics, Radio and TV	+	17.51
Gold Mines F.T.	+	17.46
Overseas Traders	+	17.18
Mining Finance	+	15.86
Building Materials	+	14.07
Property	+	13.23
Hire Purchase	+	12.38
Stores	+	11.25
Consumer Goods (Durable) Group	+	11.17
Merchant Banks	+	10.54
Metal and Metal Forming	+	9.56
Insurance Brokers	+	9.04
Packaging and Paper	+	7.87
Contracting and Construction	+	7.75
Capital Goods Group	+	7.34
Electricals	+	7.19
Shipping	+	6.21
Industrial Group	+	5.42
Insurance (Life)	+	5.41
Chemicals	+	5.39
Office Equipment	+	5.05
Investment Trusts	+	5.02
All-Share Index	+	4.77
Other Groups	+	4.72
Newspapers and Publishing	+	4.59
500 Share Index	+	4.59
Entertainment and Catering	+	4.39
Mechanical Engineering	+	3.82
Consumer Goods (Non-Durable) Group	+	3.67
Financial Group	+	2.28
Pharmaceutical Products	+	2.24
Breweries	+	2.15
Oils	+	1.48
Motors and Distributors	+	1.14
Food Retailing	−	0.73
Wines and Spirits	−	0.86
Tobaccos	−	0.91
Food Manufacturing	−	1.64
Textiles	−	1.90
Insurance (Composite)	−	3.01
Engineering Contractors	−	4.62
Discount Houses	−	4.67
Banks	−	7.47
Household Goods	−	9.43
Toys and Games	−	33.87

† Percentage changes based on Tuesday, March 25, indices.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561
Lloyds Tst. O'seas 56.0 52.7 ..... 2.22
Next dealing March 27.

Rothschild Asset Mgt. (Bermuda)
P.O. Box 664, Bk. of Bermuda Bld., Bermuda
Reserve Assets Fd. US$9.51 9.72 ..... —
Prices on March 17. Next dealing March 26.

Royal Trust (C.I.) Fd. Mgt. Ltd.
P.O. Box 194, Royal Tst. Hse., Jersey. 0534 27441
R.T. Int'l. Fd. US$9.42 10.03 ..... 2.56
R.T. Int'l. (Jsy.) Fd. 73.0 78.0 ..... 3.97
Prices March 25. Next dealing April 1.

TSB Gilt Fund Managers (C.I.) Ltd.
10 Wharf St., St. Helier, Jersey (CI). 0534 73494
TSB Gilt Fund 91.0 94.0 ..... 12.80
TSB Gilt Fd. (Jsy.) 91.0 94.0 ..... 12.80
Prices on March 26. Next sub. day April 2.

Tokyo Pacific Holdings N.V.
Intimis Management Co. N.V., Curacao.
NAV per share March 17 US$70.77.

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

98½	96½	FFI 13pc 1981	96¾	......	13.44	17.14
96¾	93½	Do. 14pc '83	94½	......	14.82	13.97
84½	79½	ICFC 5½pc Deb. '80-82	83½xd	......	6.72	14.97
74½	71½	Do. 6¼pcDb. '81-84	74	......	8.74	15.00
86½	80½	Do. 10½pc Uns.Ln. '86	85	......	12.71	15.10
85	77	Do. 11pc Uns.Ln. '88	83½	......	13.58	14.78
88	82	Do. 11¾pc Uns.Ln. '90	86	+½	14.11	13.15
61	56	Do. 7¼pcADeb. '89-92	58½	......	12.98	15.10
61	51½	Do. 7¼pcA Db. '91-94	55xd	......	13.18	14.90
72	64½	Do. 9pc 'A' '91-94	65½xd	+½	13.74	14.85
65½	61	Do. 8⅞pcLn. '92-97	63xd	......	14.06	14.75
95	84½	Do. 12¼pc. Uns. Ln. 1992	85½xd	......	14.61	13.15

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

313	265	Cater Ryder £1.	265	......	18.88	—	10.2	—
80	42	Clive Dis'nt 20p	46	+2	5.33	—	16.6	—
156	127	Com'l Aus. (SA1)	142xd	-2	†Q18c	3.0	6.5	5.1
935	727	Com'zbk DM 10	785	......	Q24.56%	—	9.4	—
£10	800	C'hgn.Hbk.Kr100	800	-75	Q13%	—	16.9	—
40	26	Corinthian 10p	29	......	†1.05	5.9	5.2	3.3
£19¾	£16¼	Cred. France F75	£16¼	-⅞	Q12.5%	—	6.4	—
15	9	Dawes (G. R.)	12	......	—	—	—	—
£67	£56½	Deutsche Bank DM50	£56½	......	Q28.12%	—	6.5	—
68	58	F. C. Finance	60	......	2.2	4.9	5.2	5.5
17	9¼	First Nat. 10p	16¼	+¼	—	—	—	1.0
3	1½	Do. Wrrts. 75-83	2¼	+¼	—	—	—	—
240	192	Gerrard Natnl.	198	+2	†9.12	—	6.6	—
84	68	Gibbs (A.)	82	......	2.2	—	3.8	—

BANKS & HP—Continued

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

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INSURANCE—Continued

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TRUSTS, FINANCE, LAND

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OVERSEAS TRADERS

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RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

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Sri Lanka

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Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
235	130	Messina R0.50	188	+2	010c	ϕ	3.0

MISCELLANEOUS

High	Low	Stock	Price	+ or –	Div. Net	C'vr	Y'ld Gr's
160	78½	Anglo Dominion	143	......	—	—	—
97	58	Barymin	72	+2	—	—	—
14½	12	Burma Mines 17½p	13½	......	—	—	—
502	330	Cons. Murch. 10c.	410	......	N0100c	1.8	14.0
565	350	Northgate C$1	360	–20	—	—	—
485	327	R.T.Z.	359	+6	†21.5	3.4	4.6
33	16	Robert Mines	27½	......	—	—	—
58	30	Sabina Inds. C$1.	35	+1	—	—	—
650	485	Tara Exptn. $1	500	–20	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax free to non residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- + Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- $ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✠ Regional price.
- ¶ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or –	IRISH	Price	+ or –
Albany Inv. 20p	28	......	Conv. 9% '80/82	£86	......
Bertam	18	......	Nat. 9¾% 84/89	£70½	......
Bdg'wtr. Est. 50p	365	......	Fin. 13% 97/02	£77½	......
Clover Croft	60	......	Alliance Gas	60	......
Craig & Rose £1	£28½	......	Arnott	380	......
Fife Forge	38xd	......	Carroll (P.J.)	50	......
Finlay Pkg. 5p	21	......	Clondalkin	104	......
Graig Ship. £1	850	......	Concrete Prods.	80	......
Higsons Brew	75	......	Heiton (Hldgs.)	34	......
Holt (Jos) 25p	255	......	Ins. Corp.	235	......
I.O.M. Stm. £1	165	......	Irish Ropes	80	......
Pearce (C. H.)	385	......	Jacob	37	......
Peel Mills	37	......	T.M.G.	140	......
Sheff. Refrshmt.	97½	......	Unidare	102	......
Sindall (Wm.)	165	......			

OPTIONS

3-month Call Rates

Industrials					
A. Brew	8	I.C.I.	32	Utd. Drapery	9
BOC Intl.	6	"Imps"	7	Vickers	14
B.S.R.	3	I.C.L.	45	Woolworths	6½
Babcock	12	Inveresk	5	**Property**	
Barclays Bank	30	Ladbroke	15	Brit. Land	7
Beecham	13	Legal & Gen.	14	Cap. Counties	9
Blue Circle	25	Lex Service	10	Land Secs.	25
Boots	17	Lloyds Bank	24	MEPC	17
Bowaters	16	"Lofs"	5½	Peachey	13
B.A.T.	25	London Brick	6	Samuel Props.	12
Brown (J.)	7	Lucas Inds.	20	Town & City	2
Burton 'A'	22	"Mams"	14	**Oils**	
Cadburys	5½	Mrks. & Spncr	9	Brit. Petroleum	38
Courtaulds	6	Midland Bank	30	Burmah Oil	20
Debenhams	8	N.E.I.	5	Charterhall	12
Distillers	21	Nat. West. Bank	32	KCA	12
Dunlop	5½	P & O Dfd.	9	Premier	12
Eagle Star	14	Plessey	16	Shell	35
F.N.F.C.	2½	Racal Elect.	20	Tricentrol	35
Gen. Accident	21	R.H.M.	4½	Ultramar	50
Gen. Electric	30	Rank Org.	18	**Mines**	
Glaxo	40	Reed Intnl.	17	Charter Cons.	18
Grand Met.	12	Sears	5½	Cons. Gold	52
G.U.S. 'A'	30	Tesco	7	Lonrho	12
Guardian	23	Thorn	25	Rio T. Zinc	35
G.K.N.	22	Trust Houses	14		
Hawker Sidd.	16	Tube Invest.	27		
House of Fraser	12	Unilever	40		
		U.D.T.	4		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Thursday March 27 1980

NEWS SUMMARY

GENERAL

Begin blow to Palestine hopes

Israeli Premier Menachem Begin marked the first anniversary of the Israeli-Egyptian peace treaty with a warning that he would never allow negotiations to lead to a Palestinian State.

In Tel Aviv, it was reported that Defence Minister Ezer Weizman is threatening to resign over growing differences with Mr. Begin and that the Government might fall by autumn. Page 3

Players defect

Seven members of Afghanistan's national soccer team, including the captain, have sought political asylum in West Germany.

Pope for Africa

The Pope is to visit six African countries from May 2 to May 12. They are: Zaire, the Congo, Kenya, Ghana, Upper Volta and the Ivory Coast.

Kelly inquest

Forensic tests on truncheons, boots and torches of two policemen who arrested labourer James Kelly, failed to reveal they had beaten him, said Andrew Rankin, QC, for the chief constable of Merseyside, at the inquest into Kelly's death in police custody.

Casino battle lost

The Playboy organisation lost the casino licence of the former Victoria Sporting Club in Edgware Road, London, when North Westminster Gaming Licencing Committee backed Gaming Board and police applications.

Putting the shot

Vietnam has begun a physical training programme, including grenade-throwing, to mark the Moscow Olympics and the 90th anniversary of the birth of Ho Chi Minh.

Briefly . . .

North Cumbria and parts of south Scotland were shaken by an earth tremor.

Political journalist and author George Hutchinson died in London aged 59.

BUSINESS

Sterling firm; gold off $33

● STERLING closed 50 points up in thin trading at $2.1960 and its trade-weighted index was 72.9. DOLLAR eased and its index was 89.5 (89.7).

● GOLD fell $33 in London to close at $507.5.

● EQUITIES were cautious, and the FT 30-share index rose 4.8 to 435.1. The Gold Mines index fell 11.1 to 304.4.

● GILTS were again buoyed by Budget hopes and the Government Securities index advanced 0.21 to 64.61.

● WALL STREET was up 10.50 at 778.33 before the close.

● IRANIAN oil exports have fallen to between 600,000 and 700,000 barrels a day in the past three weeks. Page 3

● UK INDUSTRY is failing to compete seriously with its main rivals in trade with Eastern Europe, according to a London Chamber of Commerce and Industry review. Page 6

● SOUTH AFRICA announced a strongly expansionary budget with extensive tax cuts, higher food subsidies and exchange control relaxations. Page 3

● WHITE-COLLAR workers' increasing readiness to take strike action is shown in a Department of Employment survey. Page 9

COMPANIES

● EAGLE STAR Holdings pre-tax profits for 1979 rose by 26 per cent to £64.3m, while net profits of Prudential Corporation advanced 10 per cent to £45.6m. Legal and General Group's net surplus was up £1m at £15.9m. Page 27

● APPLEYARD Group of Companies, the vehicle distributor, reports pre-tax profits for the year down from £1.95m to £652,000. Support for BL Cars was a major factor behind the fall. Page 26

Bank wins marathon action against builder

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

WILLIAMS AND GLYN'S Bank has won its marathon High Court action against Mr. Derek Barnes, former chairman and managing director of Northern Developments, the quoted house-building group which crashed in June, 1975.

The case raised complex questions about banks' duties and obligations to their customers and, if Williams and Glyn's had lost, the repercussions in banking circles would have been serious and far-reaching.

Mr. Justice Gibson ruled yesterday that the bank was entitled to repayment of £1.78m loans to Mr. Barnes and had been entitled to repayment on demand of money lent to Northern Developments on overdraft.

He said Williams and Glyn's was also entitled to interest on the loans, at 3½ per cent above base rate, from February 18, 1976, and to its costs.

Mr. Barnes's counterclaim that the bank had been guilty of negligence and breach of duty and contract both to him and his company, and was not entitled to repayment, was dismissed.

Most of the money lent had been to enable Mr. Barnes to buy additional shares in Northern Developments. He alleged that the bank had contributed to the company's collapse and so eroded the value of the shares which he had given as security for the loans.

The hearing had lasted 104 days and the costs have been unofficially estimated at £500,000. Yesterday the judge gave a 50-minute summary of his decision before handing down a seven-volume 200,000 word written judgment.

Mr. Justice Gibson rejected Mr. Barnes's argument that the bank had assumed the role of adviser to Northern, to which it had granted an overdraft facility of £6.5m, and was therefore liable to pay damages to the company for any losses it incurred.

The decisions taken by the bank in relation to the company had been sensible and reasonable at the time they had been made, he said. The bank could not have foreseen the troubles that were to arise in 1973, such as the Middle East War and the three-day week.

The judge observed that Northern had not, itself, seen fit to sue the bank and the bank had not been guilty of any breach of duty or contract to the company.

Mr. Barnes's contention that the bank had owed him a duty as a customer not to let him borrow money when it would be imprudent for him to do so was also rejected. Mr. Barnes had not asked Williams and Glyn's to advise him and the bank had not assumed any duty to do so, said the judge.

Williams and Glyn's was right in its contention that money lent was repayable on demand if there had been no agreement to postpone the right to repayment.

TUC urges support for national day of action

BY CHRISTIAN TYLER, LABOUR EDITOR

TUC leaders yesterday called for a national stoppage of work on May 14, when most public transport and many manufacturing companies are likely to shut down.

It is intended as a political protest against Government economic and social strategies.

Leaders of road and rail transport unions are to co-ordinate instructions to their members following guidance to all unions issued by the TUC general council.

National newspapers will not appear that Wednesday morning, because of a decision by print union SOGAT (Society of Graphical and Allied Trades) to call out its Fleet Street members.

The general council stopped short of declaring a general strike, the course urged by the National Union of Railwaymen. However, union leaders made it plain after the meeting that they intended to do what they could to close Britain down for the day.

Emergency services will be maintained as trade union members organise rallies and marches in regional centres and lobby local councils and education offices.

Mr. Len Murray, TUC general secretary, said the purpose of the national stoppage was to change the Government's policies by encouraging workers to exercise their right to withdraw labour.

Mr. Murray was anxious to avoid any impression that the TUC was working for the Government's downfall.

He said the proposed action was common in Holland, Belgium, France and Italy. "We are a bit behind-hand in using this technique," he said.

It was constitutionally incorrect for the TUC to instruct unions what to do. Instead, unions would be asked to encourage the maximum possible participation.

Yesterday's general council meeting was lobbied by steelworkers from plants including Consett, Co. Durham, and Llanwern and Port Talbot, South Wales, which face the largest loss of jobs from the British Steel Corporation's retrenchment plan.

Kennedy back in presidential race

BY JUREK MARTIN, U.S. EDITOR IN WASHINGTON

SENATOR Edward Kennedy's faltering campaign for the Democratic Party's Presidential nomination was overflowing with optimism yesterday.

This followed two unexpectedly decisive victories over President Carter in Tuesday's primaries in New York and Connecticut.

In both States Mr. Kennedy exploited growing discontent with President Carter's record in domestic and foreign policy.

He carried New York by 59 per cent to 41 per cent, picking up 164 convention delegates to 118 for Mr. Carter; and Connecticut by 47 to 41 per cent in the popular vote and by 29 to 25 in the apportionment of delegates.

This still leaves the President with a big lead in the race to secure the 1,666 delegates needed to win the nomination. Precise counts differ because in some States the selection process is not complete, but Mr. Carter is generally reckoned to have won about 750 delegates compared with only 400 or so for the senator.

On the Republican side, Mr. Ronald Reagan, the front runner, also lost a primary on Tuesday. It was in Connecticut and to the native son, Mr. George Bush.

Mr. Bush received 39 per cent of the vote, Mr. Reagan 34 per cent, and Congressman John Anderson 22 per cent, with delegates being split 15 to 14 to six respectively. This narrow defeat for Mr. Reagan was more than overshadowed by his success in New York.

In the second largest State there was no Republican preference primary, only a blind poll to select delegates. But Mr. Reagan appears to have won at least 90 of the 123 available, against six for Mr. Bush and only one for Mr. Anderson.

With 998 needed for the nomination, Mr. Reagan now has 314 assured delegates, compared with 68 for Mr. Bush and 47 for Mr. Anderson.

Both the Kennedy and Carter camps agreed on the reasons why the senator won the two primaries, which broke a long series of defeats at the hands of the President, interrupted only in Massachusetts, his home State, earlier this month.

Mr. Kennedy said the voters had "sent a clear and powerful message not only to Washington but across the country that they can no longer afford an inflation rate of 18 per cent and interest rates that match."

Mr. Jody Powell, presidential Press secretary, ascribed the results to "Murphy's law—'if anything can go wrong, it will'."

He cited the U.S. vote against Israel in the United Nations (which enabled Mr. Kennedy to sweep New York's heavy Jewish vote by more than 3-1), the uncertainties over the fate of the U.S. hostages in Tehran as a result of the movement of the deposed Shah to Egypt, and a host of bad economic news.

Mr. Robert Strauss, Mr. Carter's canny campaign manager, bluntly stated that these problems "all rolled together in the last few days."

But, he said, the twin setbacks only represented "a dip in the road" to the nomination and that the President was still the clear favourite.

It was apparent that many of the undecided voters, weighed down by disturbing economic and foreign developments, switched in the last few days to the Senator. This outweighed burdens he has carried until now, particularly Chappaquiddick and the perception that his liberalism was outdated.

Kennedy's message, Page 4

Union leaders call for BL Cars strike

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

BL CARS union leaders yesterday called for an all-out strike of the 85,000 manual workers against the company's decision to impose a 5 per cent pay increase linked to changed working practices.

The strike is planned to start on April 8, the date chosen by BL to implement the package after the breakdown of five months' negotiations.

Mr. Grenville Hawley, Transport and General Workers' Union, national automotive secretary, said: "We have always hoped there would not be a strike. Now we are not running away from it any more."

He was confident the executives of the 11 manual unions in BL Cars would endorse the call.

But union leaders will inevitably be looking for a way out of confrontation. They realise this would be likely to mean the end of the cars division in its present form.

Mr. Hawley said there had been 11th-hour moves in the past. There was still hope of BL withdrawing its proposals.

Workers rejected the pay package in a secret ballot by a three to two majority. Senior shop stewards have already given negotiators a mandate for a strike.

Until yesterday, negotiators had been reluctant to take militant action for fear of the consequences. BL's poor sales performance has caused extensive lay-offs.

Their decision to take action caused some surprise. A key factor influencing it was the threat of disciplinary action against workers resisting the proposed new working practices.

Mr. Hawley said: "We are prepared to call the bluff this time of Sir Michael Edwardes, the BL chairman.

Union leaders have found it difficult to get shop-floor support for strike action, against the company's troubled background.

Shop stewards at Jaguar, Coventry, gained a majority of only 69 from the 4,000-strong workforce at the Browns Lane plant for a strike from Monday.

Giscard urges package deal on EEC issues

By David White in Paris

PRESIDENT Valery Giscard d'Estaing yesterday repeated France's view that the row over Britain's EEC budget contribution can be settled only in a package agreement including other Community issues.

M. Giscard said the postponement of the EEC summit, originally due next week, should be used for "careful preparation" for the meeting.

The questions France is seeking to link to the budget issues are essentially those of agricultural prices and—in the French view, less difficult to solve—that of the "sheep war." Official sources made clear that France was not seeking to bring in other questions such as fishing or access to Britain's North Sea oil.

John Wyles adds from Brussels: EEC governments still cannot agree on new dates for the postponed heads of government meeting, despite fresh diplomatic efforts.

Moreover, it now seems that if the summit does take place next month its venue may well be switched from Brussels, the original site, to Luxembourg.

Lever to speed steel inquiry

By Christian Tyler, Labour Editor

THE COMMITTEE of inquiry appointed by the British Steel Corporation and the trade unions to resolve the 13-week-old national steel strike, will hold public hearings over the weekend.

If the committee is able to give its verdict on steelworkers' pay early next week, the strike could be called off at Easter. But the principal unions in the dispute, the Iron and Steel Trades Confederation and the National Union of Blastfurnacemen, will not automatically accept the committee's findings, and intend to consult their negotiators about the findings.

The chairman of the committee is Lord Lever of Manchester, the Labour Peer and former Cabinet Minister who as Mr. Harold Lever was financial adviser to both the Wilson and Callaghan governments.

Lord Lever, although credited with one of the best financial brains in the Labour Party, has not before adjudicated in an industrial relations dispute.

He will be assisted by Sir Richard Marsh representing the British Steel Corporation and Mr. Bill Keys representing the unions.

Sir Richard, also a former Labour Cabinet Minister and later chairman of British Rail, is chairman of the British Iron and Steel Consumers' Council and the Newspaper Publishers' Association.

Mr. Keys is general secretary of the Society of Graphical and Allied Trades and chairman of the TUC printing industries committee. A left-of-centre trade union leader, he is one of the union members of the committee of inquiry on the Labour Party constitution.

The steel inquiry is charged with "determining" the percentage pay increase for the 132,000 strikers, based on an already agreed charter of productivity concessions.

The BSC's final offer was a rise of 10 per cent at national level, with another 4 per cent at least in return for locally-negotiated reductions in manning and productivity improvements. The unions are demanding 14 per cent nationally and 5 per cent locally.

BSC starts redundancy payments Page 8

Weather

UK TODAY

CLOUDY, occasional rain, some sunshine. Windy, temperatures near normal in S. England.

London, S.E. England, E. Anglia and E. Midlands

Occasional rain, sunny intervals. Strong winds.

C.S. and S.W. England, W. Midlands, Channel Isles, S. Wales

Cloudy, showers, sunny intervals, rain later.

E., C.N. and N.E. England

Occasional rain, sunny intervals. Max. 9C (48F).

N. Wales, N.W. England, Lake District, Isle of Man,

Occasional rain, sunny intervals. Max. 9C (48F).

Borders, Edinburgh, Dundee, Aberdeen, Glasgow, C. Highlands, Moray Firth, N.E. Scotland, Orkney, Shetland

Cloudy. Rain. Sleet or snow

Argyll, N.W. Scotland, N. Ireland

Sunny intervals. Scattered showers. Cold. Max. 7C (45F).

Outlook: Unsettled. Showers, occasionally wintry in North.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	15	59	Jo'burg	C	23	73
Amsdm.	C	9	48	L. Plms.	S	20	68
Athens	C	17	63	Lisbon	F	16	61
Bahrain	C	25	77	Locarno	S	13	55
Barclns.	F	16	61	London	C	10	50
Beirut	S	23	73	Luxmbg.	C	7	45
Belfast	F	9	48	Madrid	F	14	57
Belgrd.	F	14	57	Majorca	S	18	64
Berlin	F	6	43	Malaga	F	19	66
Biarritz	F	19	66	Malta	S	17	63
Bmghm.	F	10	50	M'chstr	F	10	50
Blackpl.	F	11	52	Melbne.	R	23	73
Bordx.	C	14	57	Milan	C	10	50
Boulgn.	C	9	48	Mntreal.	C	7	45
Brussels	C	9	48	Moscow	C	—3	27
Budpst.	R	11	52	Munich	C	8	46
B. Aires	S	25	77	Nairobi	C	21	70
Cairo	S	35	95	Naples	F	14	57
Cardiff	C	8	46	Nwcstl.	F	9	48
Cas'b'ca	S	23	73	N. York	C	7	45
Cape T.	C	22	72	Nice	S	13	55
Chicago	S	5	40	Nicosia	F	21	70
Cologne	C	10	50	Oporto	R	5	59
Cpnhgn.	C	1	34	Oslo	S	1	34
Corfu	F	15	59	Paris	C	7	45
Dublin	F	10	50	Perth	S	28	82
Dbrvnk.	R	12	54	Prague	C	7	45
Ednbgh.	F	9	48	Reykjvk.	F	0	32
Faro	F	17	63	Rhodes	S	21	70
Florence	C	14	57	Rome	C	13	55
Frankft.	R	9	48	Salzbrg.	F	13	55
Funchal	F	16	64	Stckhm.	S	1	34
Geneva	S	11	52	Strasbg.	F	13	55
Gibrltr.	F	17	63	Tangier	S	19	66
Glasgow	C	9	48	Tel Aviv	F	30	86
G'nsey	R	6	43	Tenerife	S	17	63
Helsinki	F	1	34	Tunis	F	20	68
H. Kong	S	26	78	Valencia	F	18	64
Innsbrk.	C	6	43	Venice	C	12	54
Inverness	C	10	50	Vienna	C	7	45
I.o.Man	F	9	48	Warsaw	C	1	34
Istanbul	C	9	43	Zurich	F	9	48
Jersey	R	7	45				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

The medium term is the message

This was a sober Budget with nothing in the way of flashy short-term incentives to please the financial markets. To this extent the initial reaction is likely to be one of mild disappointment for gilt-edged, where a public sector borrowing requirement of £8.5bn had been fully anticipated, and of rather greater apprehension in equities.

The biggest innovation is the appearance, at last, of the celebrated medium-term fiscal and monetary framework, which sets out the rate of shrinkage of the PSBR from 5½ per cent of GDP in 1978-79 to 1½ per cent in 1983-84; in the coming financial year, as part of this trend, this proportion should fall by a point to 3¾ per cent. Meantime the central target for money supply growth is reaffirmed at 9 per cent for 1980-81, and is due to decline to 6 per cent over three years.

Starting point

It is unfortunate, however, that the Chancellor is embarking on this period of signposted monetary discipline by shifting his starting point. He is using the February 1980 figures as his new base, and in the process is raising his central target by 2½ to 3 percentage points. It is true that Sir Geoffrey made a mistake last June in not allowing for the impact of this sharp rise in VAT on the money supply. Also, in abolishing the "corset" from June (although the banks will in practice ignore it almost immediately) he needs to allow headroom for the percolation of artificially displaced banking sector liabilities back into the categories which make up sterling M3. This might add 2 per cent to sterling M3 over a period. So the Chancellor has some excuses, but it goes to show how hard it is likely to be to keep on a medium-term track.

But it would be wrong to quibble too much about the medium-term framework, which if it is adhered to will certainly bring about fundamental shifts in inflationary expectations and in the structure of the capital markets. The implication is that even in the coming year the volume of gilt-edged and other National Debt sales is likely to fall, especially in relation to the cash flows of the investment institutions and the personal sector. By 1983-84 debt sales would be minimal, releasing huge savings flows for industrial and overseas investment.

Index rose 4.8 to 435.1

Plainly this medium-term message is highly bullish. The problem, as ever, remains one of transitional credibility. Whatever the medium-term inflation prospects, the short-term Treasury forecast is for a 13½ per cent rise in prices over the next year, which in itself does not make a 14½ per cent yield on gilt-edged any great bargain.

The big unknown factor is how industry is going to survive this period of transition. Sir Geoffrey's message in this regard was bleak and uncompromising: industry must cure its own problems. For the moment, North Sea oil revenues are going to be used to reduce the public sector deficit and will not be passed on, perhaps through a lower National Insurance surcharge, to help the company sector deficit. On the other hand, this does bring nearer the possibility of lower interest rates, which — aside from crumbs like the deferment of stock appreciation clawback — is all that the Chancellor has to offer.

Positive aspect

This, in fact, is the positive side of a grim economic forecast, with GDP estimated to fall by 2½ per cent in 1990. Combined with the inflation forecast, it looks as though an unchanged money growth target will be compatible with significantly lower interest rates than in the past year, when money GDP has been racing so far above the monetary target levels.

Among the sectors affected by detailed proposals, the clearing banks must feel they have had a narrow escape over the mooted windfall tax, especially as the leasing restrictions brought in as a substitute will barely touch them. Lessee demand will be somewhat reduced, although it is still on an underlying rising trend. Against this the competition from private individuals, which the banks found highly irritating, has been all but eliminated.

There is cold comfort for the industrial sector in the stock relief concession, since the £210m the Government forgoes by this measure reflects a forecast of savage destocking, given the cushion of current rates of inflation. In fact the overall corporation tax yield will barely change in money terms, despite buoyancy in oil profits.

Among the series of modest tax changes affecting the securities markets, the changed treatment of traded options is likely to have the clearest effect. Up to now the options market has been languishing with about 500 transactions a day, against the 800 the jobbers say they need to break even. With the anomalous treatment of options as a wasting asset eliminated, the market is likely to improve dramatically. The number of companies traded should increase from 12 to 50 within 18 months while put options may be introduced to make dealing more attractive in a falling market. One question mark remains, however, in whether pension funds will have exempt status for capital gains tax when dealing in options. If clarification of the legislation applies tax to the pension funds, the potential of the traded options market could be circumscribed.

Higher threshold

Hopes of a major initiative to attract small investors back into the stock market have proven ill-founded, and the relaxations in the profit-sharing scheme will not bring more than a modest increase in investment. On the other hand, the higher capital gains tax threshold may open the way to sales by personal investors who, it is widely thought, have in many cases been waiting for a concession here.

For equities, the uncertainties of a weak corporate sector remain the dominant factor. The gilt-edged market will gain some comfort from the cautious nature of the budgeting—no assumptions about EEC concessions, for instance—but with two largish taps overhanging the market it is questionable whether a big demand will develop immediately.

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